



**2013/14**

**DRAFT ANNUAL REPORT FOR ILEMBE  
DISTRICT MUNICIPALITY  
JULY 2013 – JUNE 2014**

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## CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

### 1.1 MAYOR'S FOREWORD



**The Hon. Cllr SW Mdabe**

**District Mayor**

Section 52 (a) of the Municipal Finance Management Act No 56, of 2003 bestows upon a Mayor , the responsibility to provide general political guidance over fiscal and non-fiscal affairs of the municipality at all times. The 2013/2014 Annual Report provides me with an opportunity to account on the Municipality's performance financially and non-financially. It importantly, also enables me to highlight the impact of such performance on service delivery to the Ilembe citizens.

Following the Council Lekgotla that was held on the 8th to the 11<sup>th</sup> of September 2011, we have ensured that all programs, projects and activities are strategically directed at the realization of our vision for Ilembe region i.e. that "By 2027 Ilembe District Municipality will be a world class African Destination with excellent services and quality of life for its people". We have passed the first two stages of our critical path to the realization of our vision and the 2013/2014 financial year, falls within the advancement stage.

Our scorecard and different annual service delivery improvement plans are informed by our Integrated Development Plan, our Five Year Strategic Plan (2012-2017); the Provincial Growth and Development Strategy as well as South Africa's vision 2030 - the National Development Plan. In this regard, our organizational scorecard is based on the Five National Key Performance Areas (KPA's) and priorities as follows:

- Infrastructure & Service Delivery
- Socio-Economic Development
- Institutional Transformation.
- Financial Viability
- Good Governance & Public Participation

As at the end of the 2013/2014 financial year, 66 % of the set targets were met, 2% of the targets in progress and, 32% not met. Out of a total of 59 targets in the organizational scorecard, 39 were met, 1 was in progress and 19 not met. A number of reasons can be attributed to non-achievement of some of the targets such as the prolonged Environmental Impact Assessment and Water Use Licence Applications processes, objections that end up leading to the delays in starting the projects. As a corrective measure, engagements are being done with the Department of Water and Sanitation to address the challenge of the EIAs and WULAs and in as far as the objections are concerned, procurement processes will commence early to accommodate possible delays due to objections.

#### ***Performance report***

In terms of the council's resolve to deliver on water infrastructure and services, a number of capital projects were implemented throughout the district in 2013/2014 i.e. the Ndulinde Sub-Regional Scheme and the Macambini Sub Regional Scheme in Mandeni; Lower Tugela Bulk Water Scheme in KwaDukuza; the Wartburg water pipeline, Nsuze water scheme, KwaChili Shangase pipeline in Ndwedwe and lastly the IMvotshane regional water scheme as well as the Balcolm KwaSizabantu Regional water scheme in Maphumulo LM and many other projects that specifically deal with the issue of water in our district. A total of 1 103 households were served with new water access in 2013/2014 which reduced our backlog by 0.68%. We also received a Blue drop risk rating of 37.94% following an assessment by the Department of Water Affairs (DWA).

In terms of the provision of the bulk sanitation system, the KwaDukuza water borne sewer project was underway during 2013/2014. This system will service the communities of Groutville, Thembeni, Njekane, Ethafeni, Chief Albert Luthuli Land Reform, Nyundwini and Chris Hani areas was underway. As at the end of June 2014, three sewer pump stations had been completed and the construction of the bulk sewer mains at advanced stages. On completion, this project would serve approximately 129 000 citizens. A total of 4 270 households were served with basic sanitation service in 2013/2014 in the district and this achievement decreased the sanitation provision backlog by 2.68%. As at 30 June 2014, our Green drop status overall score was 82.82%.

In line with section 152 of the Constitution of the Republic of South Africa under the objects of local government, amongst other things, we are obliged to promote social and economic development as well as a safe and healthy environment for the people of iLembe District. In this regard and for the year 2013/2014, the district launched its District Aids Council and as a result managed to hold a total of 9 HIV/Aids awareness campaigns and the 2013 World Aids Day commemoration in Ndwedwe on the 1<sup>st</sup> of December 2013.

As per the approved Gender plan and budget, a total of 39 programmes were implemented against a target of 16. The aforementioned programmes cater for the most vulnerable in our communities such the children, elderly, women, the disabled and widows to list a few. In terms of youth development and empowerment, a total of 33 programmes were implemented though out the district and the municipality continues to priorities this important segment of our society by providing various opportunities such as in Sports i.e. Salga Games & Indigenous Games, Skills Development and Career Guidance. Through the Expanded Public Works Programme, a total of 906 (jobs for the youth) were created in the 2013 /2014 financial year.

In terms of Sports, we continue to support iLembe citizens in the area of Sports working closely with the Department of Sport's and Recreation as well as the District's Sports Confederation. Amongst other programmes that we continues to support in the district are the indigenous games, golden games, Salga and various sporting codes tournaments wherein our citizens go to represent the district. In 2013/2014 we, notably, supported a team of young athletes to a Karate Competition in Tokyo Japan, showing our commitment to provide life improving and enhancing opportunities for the citizenry and youth especially.

Within Operation Sukuma Sakhe which is an integrated or a whole of government approach to service delivery, a total of 20 interventions were delivered to the most poor and vulnerable in iLembe District. We continue to strengthen the war rooms and promote community activism amongst the citizens so that Operation Sukuma Sakhe can be citizens led and driven. The Environmental Health Unit also continued to ensured that all statutory requirements were met, in terms of complaints on matters relating to water quality, vector control and food handling premises.

The Disaster emergency relief aid continues to be maintained at a 100% of incidents responded to. A total of 40 Disaster Management awareness campaigns were conducted and 24 capacity building sessions held. The disaster

management framework has been reviewed as well as the Level 1 Plan with regards to disaster risk reduction in line with the provisions of the Disaster Management Act of 57 of 2002. Ward based risk Assessments were conducted and risk maps were generated for all LMs leading to better responses and management of disasters. The Disaster Climate Change Summit was held on the 4<sup>th</sup> & 5<sup>th</sup> of June 2014 and a close out report with clear recommendations that would guide the municipality in responding to the challenge of Climate Change in the future was also finalized. As at the end of the year 2013/2014, the Disaster Management Centre was 97% complete and we hope to get the Centre to be officially launched in the 3<sup>rd</sup> quarter of the 2014/2015 financial year.

The customer satisfaction and communication strategy were reviewed by end June 2014 as planned. In terms of effective public awareness on municipal business through information dissemination the unit exceeded target with 8 mayoral radio slots against a target of 4 and 55 on going advertorials in the print media against a target of 3. ILembe District also used social media to communicate various programmes, opportunities and events to the citizens. A further 2 municipal newsletters on the work of the Municipality were published and circulated to the citizens of iLembe district. A total of 68 Public participation meetings were held in the 2013 / 2014 financial year, which included community engagements, feedback sessions regarding the budget, performance management as well as the IDP Izimbizo. In the spirit of the IGR Framework Act of 2005, IGR within the district has improved greatly with sub forums being fully functional and reporting to the district Intergovernmental forum every quarter and the Premier's Coordinating Forum as and when required.

Our Local Economic Development agency i.e. ILembe Management Development Enterprise continues to play a significant role in promoting and driving local economic development within ILembe for the creation of the much needed employment opportunities. For the year 2013/2014 some of the agency's successes relate to the implementation of the National Schools Nutrition Programme; first production of the wine in the winery; obtaining the liquor license; successful hosting of the ILembe District Growth and Development Summit, winning the Best KZN Community Project award for the Winery project and lastly; the clean audit opinion from the Auditor General.

The Annual IDP Review was successfully and widely done and the plan adopted on time. Public participation was well coordinated within the District. Inter-Governmental Relations (IGR) and Internal Audit returned good results – an improvement over the previous financial year. Through the IGR structures, the family of ILembe municipalities are able to discuss and share best practices and deal with matters of mutual interest. The Audit Committee has been functioning as required, and submits reports to EXCO and Council. Performance Management System developed the next year's performance measurement tools in time and approval of the 2013/2014 SDBIP was done on the 2nd of July 2014

To ensure that the workforce is adequately capacitated to deliver on the Council's set objectives, skills development is implemented in accordance with the workplace skills plan. A sufficient training budget has been allocated that complies with the Provisions of the Skills Development Act. The Labour relations legislation is considered in managing relations in the workplace. All ICT functions, administration and support functions are conducted to promote an institution that is representative, participative and empowered to improve the

institutional capabilities of service delivery. Organisational performance management is continuously implemented to monitor service delivery

In terms of our five year plan, we had set ourselves the target of year 2017 as a year on which we could possibly achieve a clean audit. Effective and adequate financial management, strict compliance with budget processes to ensure credible budgeting; adherence to the SCM policy and regulations; quarterly asset verifications to ensure safeguarding of the Municipality's assets as well as proper management of stores; monitoring of service providers by all units and revenue enhancement strategies being implemented saw Ilembe obtaining a clean audit in 2013/2014 financial year.

We are indeed delighted and proud to have obtained a clean audit in the year 2013/2014. I attribute the achievements and service delivery results that are presented in this annual report to all the hard working and dedicated staff of all Ilembe District Municipality and EI at all levels; to my fellow Councilors who continue to diligently exercise their oversight role, the Board of our Local Economic Development agency, various external stakeholders such as amakhosi, religious leaders, private sector through the chamber of commerce, sector departments who continue to work with us in our quest to ensure that "By 2027 Ilembe District Municipality will be a world class African Destination with excellent services and quality of life for its people"

**His Worship, the Mayor**  
***Councillor S.W. Mdabe***



## 1.2 EXECUTIVE SUMMARY BY THE ACTING MUNICIPAL MANAGER



**“Striving to create a professional and progressive management and administrative capacity that will be sensitive and responsive to the needs of the residents of ILembe District Municipality”**

**Mr. Geoffrey N. Kumalo**

Mr. Geoffrey N. Khumalo

Acting Municipal Manager

### INTRODUCTION

In keeping with section 121 of the Local Government Finance Management Act (2003), together with the leadership, sector departments and administrative collective of ILembe District Municipality, we are duty bound to prepare an annual report for the 2013/2014 Financial Year. In undertaking this important task, we are also required to report on the performance of the municipality's entity; that is ILembe Enterprise for which we have total ownership.

Basically, the report will reflect *inter alia* on the following areas:-

- The provision of the record of the activities of the municipality and the municipal entity for the 2013/2014 financial year;
- The provision of a report on performance against the budget of the municipality and municipal entity; and
- To account to the local community for the decisions that were made by the municipality and the municipal entity during the 2013/2014 financial year;

As the acting Accounting Officer, it is important that I commence by reflecting broadly on the context within which the municipality operated during the 2013/2014 financial year. This will somehow create an understanding of the reasons and basis for the decision and actions the municipality took on different matters and situations. The Annual Report will also reflect on the extent to which the

municipality has been able to achieve the governance and service delivery targets which were set by Council in the 2013/2014 Integrated Development Plan, the effective and efficient utilization of the resources that were placed at our disposal; I.e. the budget, ICT and other related resources.

Given the limited resources at our disposal and the huge but justifiable expectations of our people, we are required to provide services to the population growth rate of 0.8% between the 2001-2011 period, the household income distribution of 11.7% and the promising reduction of the illiteracy rate by 27% for the same period. With these records showing a fraction of movement towards the destruction of the yokes of poverty and deprivation in the district, we still are faced with the mammoth task of an enabling and conducive environment that will create decent jobs for our people. The recorded 30.6% unemployment rate as at 2011 year should propel us to think outside the box and come up with investor-friendly policies and incentives that will help grow our local economy.

With the leadership, wisdom and unwavering support of the leadership, as management we were able to do all we could to sail through these and other challenges. Through this report, the community and the civil society in general will be informed about the performance of the municipality in:-

- Creating economic growth and jobs.
- Eradicating backlogs in service delivery.
- Provision of new water and sanitation infrastructure for housing development identify by local municipalities
- Municipal response or initiative on socio-economic challenges (including the impact of HIV/AIDS).
- Positioning the iLembe area as a prime tourist destination.
- Making the area of iLembe a safe and vibrant meeting place of rural, traditional and urban life-styles.
- Integrating the first and second economies to benefit from investment.
- Achieving a sustainable settlement pattern where people could meet all their needs to provide for a better quality of life and maintain sustainable livelihoods.
- Creating functional and institutional harmony with upstream and downstream spheres of government.

## **MANAGEMENT CORE**

With great respect and appreciation of the role of my predecessor and the late Mr. Muzi Madlala and my colleagues in the management team, I can safely say that the management of the municipality is in good hands. This is evident in the stability and functionality of Council, the administrative capacity and the financial liquidity as it obtains. The year 2013/2014 commenced with the appointed of the Director Corporate Governance, the Director Corporate Services and the Municipal Manager. The new management introduced a much more innovative and systemic approach to governance and

administration but sadly closed by the untimely passing away of the MM, Mr. Muzi Madlala. The remaining management team continues to work hard in ensuring that the following objectives of the municipality are achieved:

- To expedite the process of implementing Council resolutions;
- Effective, efficient and economical management and use of the budget of the municipality;
- Quick and timely response to the needs and queries raised by the community;
- Strict adherence to the Performance Management Regulations and Framework;
- Introduction of a rigorous plan to develop and improve the capacity of our staff;
- Through IGR strengthen the capacity of our District Family of Municipalities, thereby harnessing the collective wisdom and strength that is resident in the respective leadership and administration;

The pre-requisite for the realization of the above-mentioned objectives is to marshal and rally the administrative units or departments of the municipality around one and main objective; that is to work tirelessly to ensure that ***“By 2027 iLembe District Municipality is a World Class African Destination, with excellent services and quality of life for its people”.***

As it is reflected in the departmental reports herein, we are content with the level of improvement and the manner we manner in which we lived up to the promise of delivering services to our people. Of course, this is limited to the powers and functions that are allocated to ILembe District Municipality, the limited financial and technical resources and the external factors that have a bearing on our ability to deliver services to our people.

As management and the whole administration of ILembe District Municipality, we are well positioned and able to make the district a better place to live in. In the 2013/2014 financial year we obtained a clean audit report, and the finance department continued to work hard and performs at its best towards the drive to obtain a clean audit for this financial year.

Our energy and focus is devoted to the provision of water and sanitation in a seamless and cost effective manner. Through our infrastructure development plan, we will contribute towards the waging of a fight to eradicate poverty, unemployment and inequality. With the level of support we are getting from the political leadership, we strongly believe that we will succeed.

South Africa’s codes of corporate governance have consistently identified risk management as one of the key pillars of good-governance practice and this, as a continuous process, enables constant improvement in strategy design and strategy implementation as well as an organization’s systems and operations. MFMA section 62 (i) (c) requires a municipality to have and maintain an effective, efficient and transparent systems of risk management.

## **RISK MANAGEMENT**

The District has the Risk Management Committee which is made up of the Acting Municipal Manager, Heads of Departments, Enterprise Risk Manager and it is chaired by the external member. The Risk Management Committee is responsible for independent oversight and appropriate advice on the risk management process in the District, the mitigation of key risk exposure and advising on emerging risk issues that may have an impact on the District. The Committee's role is to guide the development and implementation of Risk Management and to review and monitor Enterprise Risk management (ERM) processes and outputs regularly.

Council has adopted a Risk Management policy and Framework that enables management to proactively identify and respond appropriately to all significant risks that could impact and hinder the achievement of municipal objectives. The management of risk has evolved from the management of financial risk and transfer of risk through insurance, to business risk management and recently, to enterprise risk management, which includes the management of risks at all levels of the organization.

Risk awareness and Risk Assessment workshops with management were conducted with the aim of ensuring that management understand the importance of managing risks for the benefit of the Municipality. Risk Register 2013/2014 was adopted by Risk Committee and Executive Committee.

The Risk Register was prepared and the top 10 strategic risks facing the municipality are as follows:

- Human Resources : Skills attraction and retention
- Business support : Registry / Records Management
- Concession area : Water Services Provider monitoring
- Infrastructure Development : Projects
- Financial management : Cash flow management
- Financial management : Expenditure management
- Strategy : Fraud and Corruption
- Human Resources : Municipal Policies
- Human Resources : Labour Relations
- Business Processes : Intergovernmental relations

The top 5 operational risks facing the municipality are as follows:

- Business Support: Registry/ Records Management
- Human Resources: Skills Attraction and Retention

- Concession Area: Water Service Provider Monitoring
- Infrastructure Development: Projects
- Financial Management : Cash Flow Management

Council has adopted Anti-Fraud and Corruption strategy and prevention plan. The Council has put in place a Fraud Prevention hotline which is managed separately from Municipal structures to insure total independence. The council has also established two committees to assist it in fulfilling its oversight role. They have a mandate to identify possible instances of fraud and corruption:

- Audit Committee which reports Bi-annually to the Council.
- Municipal Public Accounts Committee.

### **Risk monitoring and risk reporting/communication**

Subsequent to the risk assessments and identification of risk management strategies by respective management, Enterprise Risk Manager and Risk Management Committee analyses the adequacy of the risk strategies in bringing the risks to acceptable tolerance levels. The internal audit directorate prepares risk-based audits, having assessed the risk environment and determined the risk and audit universe. The risk-based auditing approach ensures that internal audit effort is focused on extreme and high-risk areas and internal audit projects are therefore derived from the strategic and operational risk registers. Internal audit also provides independent assurance on the effectiveness and efficiency of risk-mitigation plans.

**Mr. NG Kumalo**  
**Acting Municipal Manager**

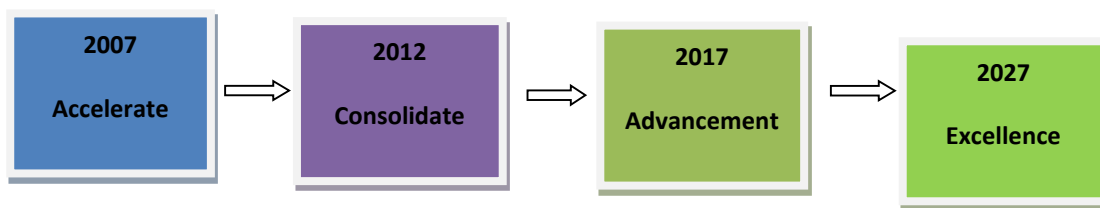
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### 1.3 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

#### MUNICIPAL VISION

The iLembe District Municipality aspires to be a world class African Destination with excellent services and quality of life for its people.

The iLembe District Municipality will achieve its Vision by 2027, subscribing to the following critical path:



#### ILEMBE'S CRITICAL PATH TO ACHIEVING ITS VISION

***“By 2027 iLembe District Municipality will be a World Class African Destination, with excellent services and quality of life for its people”.***

Ultimately this Vision can be realized by ensuring that the basic elements are adhered to, which is:

- Creating economic growth and jobs.
- Eradicating backlogs in service delivery.
- Providing for housing and socio-economic development (including the impact of HIV/AIDS).
- Positioning the iLembe area as a prime tourist destination.
- Making the area of iLembe a safe and vibrant meeting place of rural, traditional and urban life-styles.
- Integrating the first and second economies to benefit from investment.
- Achieving a sustainable settlement pattern where people could meet all their needs to provide for a better quality of life and maintain sustainable livelihoods.
- Creating functional and institutional harmony with upstream and downstream spheres of government.

## ILEMBE DISTRICT MUNICIPALITY'S 5 YEAR STRATEGIC PLAN ALIGNED TO THE NATIONAL KPAS AND PGDS

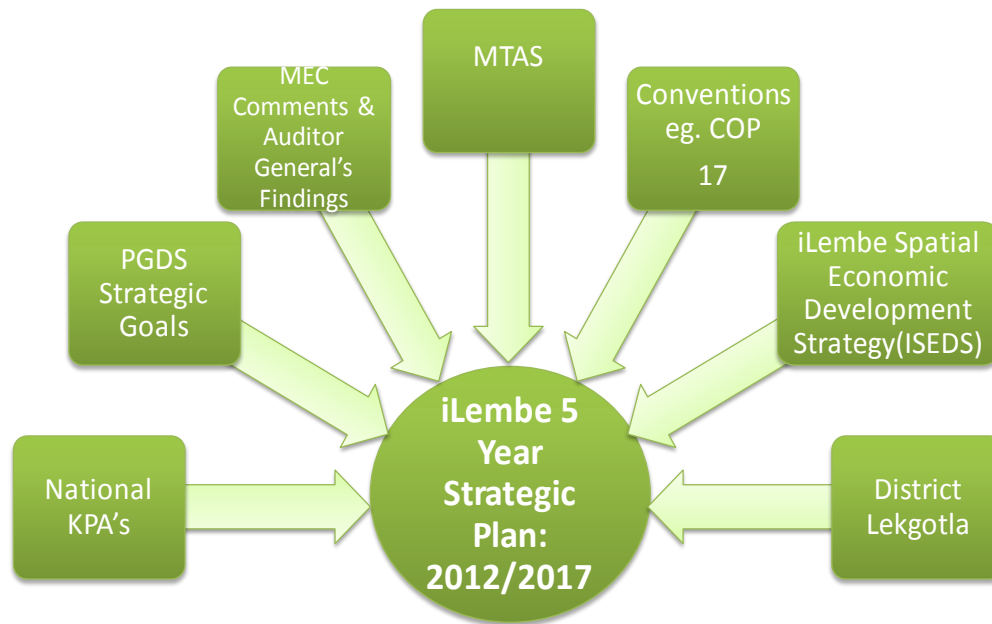


FIGURE 1: ILEMBE STRATEGIC PLAN ALIGNED TO NATIONAL & PROVINCIAL PRIORITIES

The above figure represents the strategic planning approach that the iLembe district municipality has undertaken in developing their 5 year strategic plan. The strategic approach has been informed by the following key government programmes and policies:

National Outcomes:

*Outcome 1: Improve the quality of basic education*

*Outcome 2: A long and healthy life for all South Africans*

*Outcome 3: All people in South Africa are and feel safe*

***Outcome 4: Decent employment through inclusive economic growth***

***Outcome 5: A skilled and capable workforce to support an inclusive growth***

*Outcome 6: An efficient, competitive and responsive economic infrastructure network*

***Outcome 7: Vibrant, equitable and sustainable rural communities with food security for all***

***Outcome 8: Sustainable human settlements and improved quality of household life***

***Outcome 9: A responsive and accountable, effective and efficient local government system***

***Outcome 10: Environmental assets and natural resources that is well protected and continually enhanced***

*Outcome 11: Create a better South Africa and contribute to a better and safer Africa and World*

*Outcome 12: An efficient, effective and development orientated public service and an empowered, fair and inclusive citizenship.*

This PDGS provides KwaZulu- Natal with a responsive strategic framework for accelerated and shared economic growth through catalytic and development interventions, within a coherent equitable spatial development architecture, putting people first, particularly the poor and vulnerable, and building sustainable communities, livelihoods and living environments.



**FIGURE 2:KZN GOALS**



The iLembe District Municipality embarked on a Lekgotla that took place in September 2011. At this strategic planning session the newly elected councillors and management were given an opportunity to evaluate all concerns and needs expressed and presented clear responses to some of the common needs and concerns raised.

The table below is detailed with iLembe 5 Year strategic objectives aligned to the National outcomes as follows:

Key Performance Area	KZN Goals	iLembe Strategic Objectives	National Outcome(s)
<i>Infrastructure and Basic Service Delivery</i>	<i>Strategic Infrastructure</i>	<ul style="list-style-type: none"> <li>• Improve access to basic water and sanitation services</li> <li>• To provide excellent water quality that will meet or exceed the National standards</li> <li>• Reduce unaccounted water</li> <li>• Improve response time to water and sanitation interruptions</li> <li>• Ensure continuous water and sanitation services</li> <li>• Improve Security of infrastructure</li> <li>• To meet bulk services requirements for private, existing and new housing developments</li> <li>• % of the municipality's annual capital budget spent on agreed IDP projects</li> <li>• Cumulative % of Points requiring metres that now have metres installed</li> <li>• Monitor Siza Water Concession contract</li> <li>• Monitoring and evaluation of a Siza Water 5 year review</li> <li>• Create job opportunities.</li> </ul>	<p>Outcome 8: <i>Sustainable human settlements and improved quality of household life</i></p> <p>Outcome 9: <i>Responsive accountability, effective and efficient local government system</i></p>
<i>Good Governance and Democrac</i>	<i>Governance And Policy</i>	<p><b>COMMUNICATION</b></p> <ul style="list-style-type: none"> <li>• Improve communication between iLembe DM and its Communities</li> <li>• To ensure well established systems(model) and</li> </ul>	<p>Outcome 9: <i>Responsive accountability, effective and</i></p>

y		<p>processes that will facilitate the deepening of democracy through ward committee</p> <p><b>EFFECTIVE PUBLIC PARTICIPATION</b></p> <ul style="list-style-type: none"> <li>• To facilitate the deepening of democracy through ward committee</li> <li>• To assist councilors sustain themselves.</li> </ul> <p><b>IGR ISSUES</b></p> <ul style="list-style-type: none"> <li>• Improve the alignment of all sector plans and service delivery</li> </ul> <p><b>DISASTER MANAGEMENT ISSUES</b></p> <ul style="list-style-type: none"> <li>• 90% ward committees be fully functional</li> </ul> <p><b>GOOD GOVERNANCE PRACTICES</b></p> <ul style="list-style-type: none"> <li>• To improve the accountability and transparency through credible information from the IDM to public issues.</li> <li>• Functionality of oversight role ( shared service)</li> </ul> <p><b>DESIGNATED GROUPS</b></p> <ul style="list-style-type: none"> <li>• To align provincial, district and local plans addressing designated group</li> </ul> <p><b>OPERATION SUKUMA SAKHE</b></p> <ul style="list-style-type: none"> <li>• Implementation of Operation Sukuma Sakhe.</li> </ul>	<i>efficient local government system</i>
<i>Social Economic Development and Planning</i>	<i>Human &amp; Community Development</i>	<p><b>ECONOMIC DEVELOPMENT</b></p> <p><b>Agriculture</b></p> <ul style="list-style-type: none"> <li>• To upscale farming capacity with Ilembe DM</li> <li>• To identify champion crops and overseas markets for agri-processing and Dube Trade Port</li> <li>• To establish open plan sugar mills and connect to niche market</li> </ul> <p><b>Tourism</b></p> <ul style="list-style-type: none"> <li>▪ To improve the number of tourist in Ilembe</li> </ul>	Outcome 7: <i>Vibrant, equitable and sustainable rural communities and food security for all</i>

		<p>District</p> <p><b>Manufacturing</b></p> <ul style="list-style-type: none"> <li>▪ To increase, capacity to produce goods</li> <li>▪ To identify competitive advantage</li> </ul> <p><b>Training</b></p> <ul style="list-style-type: none"> <li>▪ To partner with FET institutions to effect focus training</li> </ul> <p><b>Arts and Crafts</b></p> <ul style="list-style-type: none"> <li>▪ To improve skills and capacity to produce crafts</li> </ul> <p><b>Logistics</b></p> <ul style="list-style-type: none"> <li>▪ To attract industrial investor into the DM</li> </ul> <p><b>Job Creation</b></p> <ul style="list-style-type: none"> <li>• To establish a bursary and aftercare programme for graduates.</li> <li>• To intensify labour base activities</li> <li>• To identify SMME groups and assists with informal economy</li> <li>• To establish centres of excellence to target specific industries</li> </ul> <p><b>ICT</b></p> <ul style="list-style-type: none"> <li>• To create an ICT platform available to everyone.</li> </ul> <p><b>Institution LED</b></p> <ul style="list-style-type: none"> <li>• To integrate IDM and LM strategies into one strategy</li> <li>• To establish Shared Service for LED</li> <li>• To train young people of Ilembe District as LED foot soldiers.</li> </ul> <p><b>PLANNING</b></p> <ul style="list-style-type: none"> <li>• To ensure preparation of precinct plans</li> <li>• To prepare Ilembe Regional Spatial Development Plan (IRSDP)</li> </ul>	
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		<ul style="list-style-type: none"> <li>• To identify more areas projects for Small Town Regeneration Programme</li> <li>• To ensure that LMs identify and prepare precinct plans</li> <li>• Approved RSDR</li> <li>• To ensure that LMs prepare intermediate plans</li> <li>• To ensure that wall to wall schemes are supported by Department of Agriculture</li> <li>• To ensure that family of IDM prepares wall to wall schemes</li> <li>• To ensure alignment of all family SDF and Provincial SDF</li> <li>• To ensure more capable staff is employed</li> </ul> <p><b>ENVIRONMENT</b></p> <ul style="list-style-type: none"> <li>• To establish formal community farms</li> <li>• To prepare EMF (Environmental Management Framework)</li> <li>• To ensure more capable staff is employed</li> </ul>	
<i>Institutional Development Transformation</i>	<i>Human Resource Development</i>	<p><b>HUMAN RESOURCE</b></p> <ul style="list-style-type: none"> <li>• Develop an HRD policy and update annually &amp; Ensure compliance with the HRD Policy</li> <li>• Train illiterate employees on ABET</li> <li>• Increase access to programmes leading to intermediate and high level learning</li> <li>• Improve quality of Matriculants to meet University entry requirements</li> <li>• Increase access to occupationally-directed programmes within iLembe and thereby expanding the availability of intermediate level skills (with a special focus on artisan skills)</li> <li>• Support the training of operators to meet DWA classification requirements</li> <li>• Increase number of qualified artisans</li> </ul>	<p>Outcome 5:</p> <p><i>A skilled and capable workforce to support an inclusive growth path</i></p>

		<p>progressively each year through learnerships</p> <ul style="list-style-type: none"> <li>• Bring in unemployed people into learnerships so that they can be employed later,</li> <li>• Increase employee access to high level occupationally-directed programmers within iLembe</li> <li>• Support the training of undergraduates to obtain honours level graduates and to obtain masters level graduates and to obtain doctoral level.</li> <li>• Support the skills and educational development of councilors that leads to formal qualifications</li> <li>• Ensure a sufficient budget that complies with the provisions of the Skills Development Act (Levy Act)</li> <li>• Ensure full compliance with EEA within IDM</li> <li>• To ensure that conflicts within municipalities are resolved before they get out of hand (and out of IDM)</li> <li>• To have an updated, approved and populated organogram in all critical need areas of the IDM.</li> </ul>	
<i>Financial Viability and Management</i>	<i>Governance and Policy</i>	<ul style="list-style-type: none"> <li>• To raise monthly collection rate on billing</li> <li>• To improve on delivery/mailing of billing statements and quality of billing</li> <li>• To improve net revenue collected</li> <li>• To ensure effective management of budgeting process (realistic and credible)</li> <li>• To Expand revenue base (e.g. provision of bulk electricity)</li> <li>• To ensure compliance with SCM Policy and regulations</li> <li>• To increase financial viability</li> <li>• To ensure that the municipality remains solvent – able to cover its costs at any and all times</li> <li>• To manage the debtors book efficiently</li> <li>• To achieve a clean audit opinion.</li> </ul>	Outcome 9: Responsive accountability, effective and efficient local government system

TABLE 1: ILEMBE 5 YEAR STRATEGIC OBJECTIVES

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#### **1.4. DISTRICT POWERS AND FUNCTIONS**

The following are the Powers and Function that section 156 of the Constitution (1996) of the Republic of South Africa accords to the ILembe District Municipality:

<b>District Powers &amp; Functions</b> <b>(Chapter 7, Section 156 Of Constitution)</b>	
1.	IDP
2.	Bulk Water
3.	Bulk Sewerage Purification
4.	Health Services
5.	Tourism
6.	Public Works relating to the above
7.	Grants-receiving & distributing
8.	Impose, Collect taxes & levies
9.	Disaster Management
10.	Accountability
11.	Community participation
12.	Financially & Environmentally sustainable service delivery
13.	Equitable Access to Municipal Services
14.	Local Development
15.	Gender Equity
16.	Safe and Healthy Environment
17.	Performance Management Systems
18.	Incremental Improvement
19.	Responsible Financial Management

The 2013/2014 Annual Report is therefore aimed at presenting to Council, the community and other agencies the performance of the municipality in the above-mentioned powers and functions.

#### **ILEMBE DISTRICT MUNICIPAL PROFILE**

The iLembe District Municipality (DC29) lies on the east coast of KwaZulu-Natal, between eThekweni Metro in the south and uThungulu District in the North. To the West, iLembe is bordered by two Districts; UMgungundlovu and uMzinyathi. At 3 260km<sup>2</sup>, this is smallest of the 11 KZN District Municipalities with a total population of approximately 606,809. iLembe District family of Municipalities is constituted by 4 Local Municipalities i.e. Mandeni, KwaDukuza, Ndwedwe and Maphumulo.

iLembe is located between two of Africa's busiest ports, Durban and Richards Bay, on the primary economic development corridor in the province, and is therefore well positioned not only to local, but also international markets. The recent development of King Shaka International Airport and the Dube Trade Port just a few kilometres from the southern border of iLembe has amplified what was already a prime investment destination. The District is made up of 45 Traditional Authority (TA) areas where settlement is controlled by Traditional Authorities according to a traditional land tenure system. These TA areas cover approximately 63% of the total area where the State and the Ingonyama Trust own the majority of the land within Municipality of Maphumulo, the lower reaches of Ndwedwe (69%) and coastal and inland reaches of Mandeni (49%).

The northern areas of Ndwedwe, the central corridor of Mandeni and KwaDukuza Municipality are the commercial farming hubs of the District. The commercial farming areas of KwaDukuza, Mandeni and Ndwedwe (31% of the iLembe District) are mainly under privately owned sugar cane.

Areas of urbanisation in the District comprise of KwaDukuza/Stanger, Mandeni, the Dolphin Coast and Nkwazi. Land uses within these areas are typically urban mixed uses with high levels of infrastructural and service development and an adequate provision of social facilities and services to support the resident populations. Industrial development is concentrated in KwaDukuza, Isithebe and Darnall, most notably the Gledhow and Darnall sugar milling operations at Stanger and the Sappi Paper mills at Mandeni.

Informal settlements with limited facilities or infrastructural services occur on the periphery of the developed areas and within the towns of iLembe. Village Centres such as Maphumulo and Ndwedwe in the west, Nyoni and Mbizimbelwa in the north comprise of commercial and service development in the rural areas. They largely exist in association with a magistrate's court, clinic, pension pay point, health, education and welfare office or similar state service. Wholesale commercial activities have expanded and these villages have emerged as supply centres and transportation hubs to the remote rural areas of iLembe.



Despite its strategic location, iLembe faces numerous economic challenges such as the high levels of poverty in the rural inland areas, which contrasts with rapid development along its coastal regions. The District has been proactive in developing Enterprise iLembe, a broad based institution aimed at facilitating local economic development, in response to its challenges of high rates of unemployment and correspondingly high levels of poverty.

**Population growth rates by municipality (1996, 2001 and 2011)**

Municipality	Total Population		Population Growth Rate (1996-2001)	Total Population 2011	Population Growth Rate (1996-2001)
	1996	2001			
iLembe	55 739	560 389	0,6	606 809	0,8
Mandeni	107 070	127 327	3,5	138 078	0,8
KwaDukuza	143 758	167 805	3,1	231 187	3,2
Ndwedwe	169 234	144 615	-3,1	140 820	-0,3
Maphumulo	124 677	120 643	-0,7	96 724	-2,2

**Distribution of the population aged 15 and 64 years by employment status and municipality (1996, 2001 and 2011).**

MUNICIPALITY	Employed			Unemployed			Unemployment Rate		
	1996	2001	2011	1996	2001	2011	1996	2001	2011
iLembe	90 096	84 978	112 715	59 582	78 438	50 097	39,8	48,0	30,6
Mandeni	23 875	24 478	29 064	11 710	20 077	11 669	32,9	45,1	28,6
KwaDukuza	44 351	46 369	67 168	11 417	24 228	22 516	20,5	34,3	25,0
Ndwedwe	15 703	9 917	11 096	23 149	20 888	10 699	59,6	67,8	48,7
Maphumulo	6 167	4 214	5 388	13 307	13 244	5 213	68,3	75,9	49,0

The table above shows the unemployment rates for iLembe District Municipality and the four Local Municipalities. iLembe District Municipality has an unemployment rate of 30,6% which is average for the province and the country. KwaDukuza has the lowest unemployment rate at 25.0% and Maphumulo has the highest unemployment rate at 49.0%.

**Distribution of the population aged 20 years and older by highest level of education attained (1996, 2001 and 2011).**

DC29: ILEMBE	1996			2001			2011		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
No schooling	32 184	48 743	80 927	31 795	53 508	85 304	18 526	32 624	51 150
Some primary	26 926	34 776	61 702	24 156	32 272	56 427	22 931	30 173	53 104
Completed primary	8 573	10 177	18 749	7 472	9 378	16 850	7 329	8 462	15 790
Some secondary	33 673	35 897	69 570	34 621	38 303	72 924	50 254	53 177	103 432

Std10/Grade 12	13 966	14 625	28 591	21 397	22 793	44 191	42 266	46 767	89 033
Higher	3 791	3 165	6 957	5 040	5 589	10 609	9 215	10 641	19 857
<b>Total</b>	<b>119 114</b>	<b>147 382</b>	<b>266 495</b>	<b>124 481</b>	<b>161 824</b>	<b>286 304</b>	<b>150 522</b>	<b>1818 844</b>	<b>332 366</b>

## POPULATION AND HOUSEHOLD PROFILES

Recent Census results show that the population in iLembe is 606,809 people and is growing at 0.8% per annum. The trend of migration from rural local municipalities of Maphumulo and Ndwedwe to coastal and more urban LMs of Mandeni and especially KwaDukuza is evident. The number of households is 157,692 and is growing at 2.7% per annum. Households in KwaDukuza have grown at a fairly high rate of 4.8% per annum, whereas households in Maphumulo have declined by 1%. Average household size is 3.8 and the percentage of female headed households is 45.8% which is above the national average of 41%, but average for KZN.

	Population		Households			
	Number	Population Growth (% p.a.)	Number	Household Growth (% p.a.)	Average Household Size	Female Headed Households %
iLembe	606,809	0.80	157,692	2.7%	3.8	45.8
Maphumulo	96,724	-2.21	19,973	-1.0%	4.8	62.1
Mandeni	138,078	0.81	38,235	2.9%	3.6	48.6
KwaDukuza	231,187	3.20	70,284	4.8%	3.3	36.7
Ndwedwe	140,820	-0.27	29,200	1.4%	4.8	52.8

## POPULATION AND HOUSEHOLDS (STATSA CENSUS, 2011)

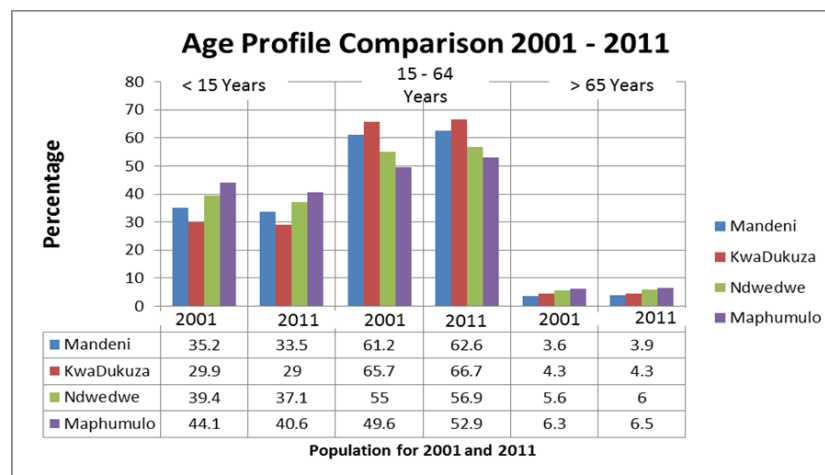
Statistics South Africa: Persons and Services

## Enumeration area type by Geography for Person weighted

	KZN294: Maphumulo	KZN291: Mandeni	KZN292: KwaDukuza	KZN293: Ndwedwe	Total
Formal residential	-	27566	127897	1622	157084
Informal residential	-	848	58066	494	59408
Traditional residential	96365	106013	27017	133429	362824
Farms	-	3138	13330	4911	21379
Parks and recreation	-	10	-	-	10
Collective living quarters	182	57	2101	-	2340
Industrial	-	304	206	-	510
Small holdings	-	-	576	364	940
Vacant	177	56	368	-	601
Commercial	-	87	1627	-	1714
<b>Total</b>	<b>96724</b>	<b>138078</b>	<b>231187</b>	<b>140820</b>	<b>606809</b>

## AGE PROFILES

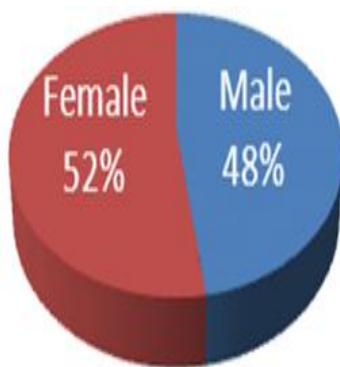
The graph below provides an indication of the age distribution within the district. 34% of the district's population is under the age of 15, 61% is made up of the working age population (15-64), and only 5% are 65 and over. The youngest population is found in Maphumulo (41%) and KwaDukuza has the highest working age population (67%).



GRAPH 1: AGE PROFILE (STATSA CENSUS, 2001&2011)

## GENDER PROFILES

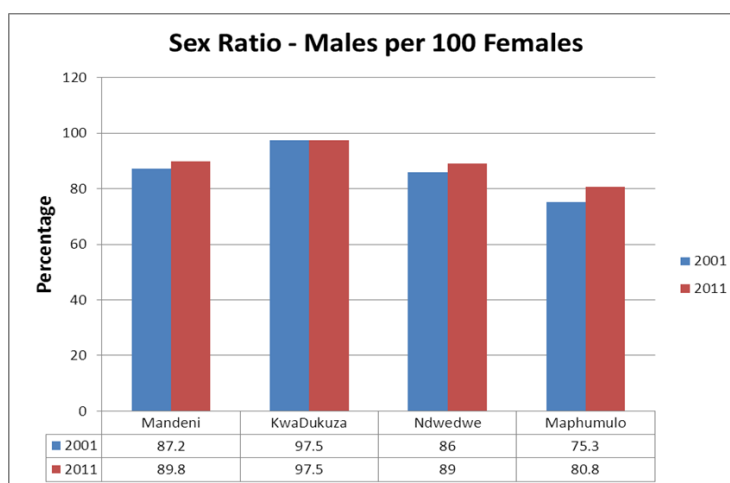
The gender profile of the iLembe is typical of the trend in most other district municipalities in KwaZulu-Natal i.e. there are generally a greater number of females (317802) residing in the area as opposed to males (289008).



DISTRICT GENDER PROFILE (STATSA CENSUS 2011)

## SEX RATIO (MALES PER 100 FEMALES)

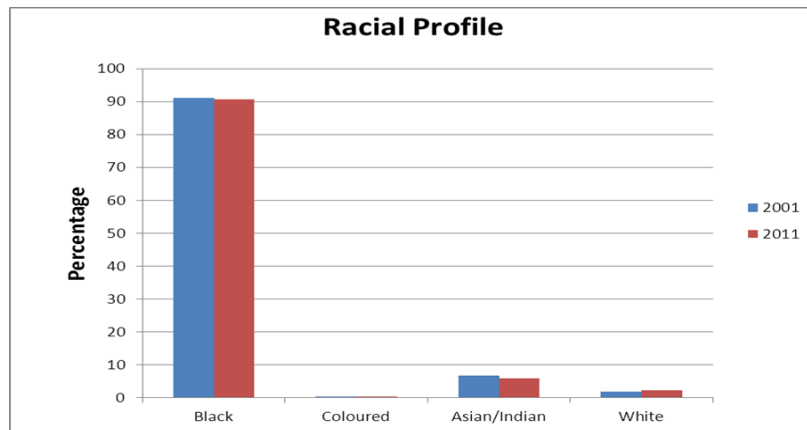
The graph below displays the gender distribution of the local populations. There are 91 males in iLembe for every 100 females. KwaDukuza is the most even at almost 50% each, whereas Maphumulo is the most uneven with only 80.8 males for every 100 females.



## GENDER PROFILE STATSA CENSUS 2001 & 2011

### RACIAL PROFILE

The graph below displays the split of the population of the district by population group. For the district, Africans comprise over 90% of the total population and the largest Asian population (predominately Indian) of 18.3%. KwaDukuza also contributes the largest portion of Whites (5.3%) of which a large number reside in the urban area of Ballito. Maphumulo comprises the largest African population (99.9%). In terms of average yearly growth rates, the Black and Asian populations declined slightly over the previous 5 years, whereas the coloured and white populations experienced a positive growth rate.



**RACIAL PROFILE (STATSA, 2001&2011)**

### KEY FINDINGS:

- Recent Census results show that the population in iLembe is 606,809 people and is growing at 0.8% per annum, out-migration to coastal LMs persists;
- The number of households is 157,692 and is growing at 2.7% per annum;
- 34% of the population is under the age of 15 years, 62% of the iLembe population falls within the working age bracket (15 – 64 years), and only 5% is over the age of 65 years.
- The number of people over the age of 20 with no schooling has declined by 50% in most cases although Maphumulo still remains high with 31% of the population not having received any schooling.

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## **CHAPTER 2: GOVERNANCE**

### **2.1. POLITICAL AND ADMINISTRATIVE GOVERNANCE**

The ILembe District Municipality's council operates under the collective executive system. In terms of section 42 of the Local Government: Municipal Structures Act, 1998 the Council has established an Executive Committee consisting of five (5) Councilors. The Council has also established the following Portfolio Committees to assist the Executive Committee:-

- Economic Development and Planning Portfolio Committee
- Amenities, Safety and Security Portfolio Committee
- Infrastructure and Technical Portfolio Committee
- Finance Portfolio Committee
- Local Public Administration and Labour Relations Portfolio Committee

Each of these committees is established in terms of the section 80 of the municipal structures Act to assist the executive committee. These committees deliberate on matters that fall within the specific terms of references of that particular committee and make recommendations to the Executive committee for an approval or where necessary for endorsement by the executive committee for final approval by the full council.

There are delegations in place for the operations of the executive committee with the exception of the power's provided to council in terms of Section 160(2) of the constitution of the republic of South Africa, 1996. The District Executive Committee can only make recommendation for approval of such matters.

To assist in performing the oversight role, the ILembe District Municipality has also appointed the following committees:

- i. Audit Committee in accordance with the Municipal Finance Management Act 56, of 2003 section 166, and operates within the terms of the Audit Committee Charter, which outlines its modus operandi. The Audit Committee charter is approved by the Council of ILembe District Municipality.
- ii. A Municipal Public Accounts Committee. The Committee consists of six (6) Councilors of the Municipality, who are not members of the Executive Committee. The Chairperson of the Committee is appointed by the Council. The functions of the Committee include the examination of the annual report of the Council and the development of the annual oversight report based on the annual report. The annual oversight report is published separately from the annual report.

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## 2.1 POLITICAL GOVERNANCE

The leadership of ILembe District Municipality is as follows:



HW Cllr SW Mdabe

## DEPUTY MAYOR



Cllr. D Shandu

Deputy Mayor

## SPEAKER



Cllr T Msweli

Speaker

## EXECUTIVE COMMITTEE

- Cllr S.W. Mdabe (Chairman) (ANC)
- Cllr A. Badul (ANC)
- Cllr T.J Zondo (ANC)
- Cllr D. Shandu (ANC)
- Cllr Moosa Suleman Cassim Motala (IFP)
- Cllr T Msweli (ANC & ex officio)

## COUNCILLORS



The Ilembe District municipality comprises of a total of 30 Councillors of which eighteen (18) are ward nominated Councilors and the other twelve (12) are Proportionally Representative (PR) Councilors. Council continues to operate on an Executive Committee System. In respect of the PR Councillors, there are six (6) males and six (6) female Councillors. The gender composition on the ward Councillors is eight (8) females and ten (10) males. Overall there are fourteen (14) female Councillors and 16 male Councillors.

Financial Performance Year 0: The Executive and Council					
R'000					
Details	Year -1 (2012/2013)	Year 0 (2013/2014)			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	(716,769)	(794,247)	(785,523)	(710,380)	75,143
Expenditure:					
Employees	103,977	122,882	135,504	131,398	4,106
Councilors Remuneration	5,731	7,189	7,189	6,630	559
Repairs and Maintenance	33,120	21,930	31,700	33,069	(1,369)
Other	278,399	294,970	317,825	476,688	(158,863)
<b>Total Operational Expenditure</b>	421,228	446,971	492,218	647,785	(155,567)
<b>Net Operational Expenditure</b>	(295,541)	(347,276)	(293,305)	(62,595)	230,710

Political Parties are represented as follows in the Ilembe District Municipality Council: -

PARTY	PR SEATS	NOMINATED COUNCILLORS	TOTAL
African National Congress	8	13	21
Inkatha Freedom Party	2	3	5
Democratic Alliance	1	1	2
National Freedom Party	1	1	2

TOTAL	30
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# **ILEMBE DISTRICT MUNICIPALITY COUNCILLORS**

## **PROPORTIONAL REPRESENTATION LISTS**

### **AFRICAN NATIONAL CONGRESS**

NO.	SURNAME	NAMES	GENDER
1	Mdabe	Sibusiso Welcome	M
2	Shandu	Monitha Dolly	F
3	Zondo	Thami Jabulani	M
4	Xhakaza	Samukelisiwe Gugu	F
5	Badul	Amita	F
6	Chili	Nkosinathi Vincent	M
7	Cele	Susan Molebong	F
8	Maphumulo	Musawenkosi Aubrey	M

### **INKATHA FREEDOM PARTY**

NO.	SURNAME	NAMES	GENDER
1.	Cele	Jabulisiwe Mavis	F
2	Ntuli	Musawenkosi Simeon	M

### **DEMOCRATIC ALLIANCE**

NO.	SURNAME	NAMES	GENDER
1	Govender	Faith	F

### **NATIONAL FREEDOM PARTY**

NO.	SURNAME	NAMES	GENDER
1	Ntuli	Makhosonke Petros	M

**NOMINATED COUNCILLORS: KWADUKUZA MUNICIPALITY****AFRICAN NATIONAL CONGRESS**

NO.	SURNAME	NAMES	GENDER
1	Pakkies	Rejoice Nontsikelelo	F
2	Msweli	Thokozani Emmanuel	M
3.	Mbonambi	Gideon Njabulo	M
4.	Vallan	Jennifer A	F
5.	Makhathini	Lucky Reginald	F

**INKATHA FREEDOM PARTY**

NO.	SURNAME	NAMES	GENDER
1	Motala	Moosa Suleman Cassim	M

**DEMOCRATIC ALLIANCE**

NO.	SURNAME	NAMES	GENDER
1	Gopaul	Andrew	M

**NATIONAL FREEDOM PARTY**

NO.	SURNAME	NAMES	GENDER
1	Ntuli	Makhosonke Petros	M

**NOMINATED COUNCILLORS: NDWEDWE MUNICIPALITY****AFRICAN NATIONAL CONGRESS**

NO.	SURNAME	NAMES	GENDER
1	Ndlovu	Leonard Mandla	M
2	Nkosi	Fuzile Pearl	F
3.	Thoolsi	Zandile Sandy	F

**INKATHA FREEDOM PARTY**

NO.	SURNAME	NAMES	GENDER
1	Ngidi	Cebisile Prudence	F

**NOMINATED COUNCILLORS: MAPHUMULO MUNICIPALITY****AFRICAN NATIONAL CONGRESS**

NO.	SURNAME	NAMES	GENDER
1	Nzama	Velile Charline	F
2	Zondi	Lindelani Mbulelo	M

**INKATHA FREEDOM PARTY**

NO.	SURNAME	NAMES	GENDER
1	Zubane	Dumisani Jotham	M

**NOMINATED COUNCILLORS: MANDENI MUNICIPALITY****AFRICAN NATIONAL CONGRESS**

NO.	SURNAME	NAMES	GENDER
1	Kumalo	Catherine Tholakele	F
2	Mdletshe	Lindelihle Rodger	M
3	Vacant		

**NATIONAL FREEDOM PARTY**

NO.	SURNAME	NAMES	GENDER
1	Mbonambi	Langelihle Roney	M

**TYPE OF COMMITTEE AND NUMBER OF MEMBERS**

COMMITTEE	NUMBER OF COUNCILLORS	NUMBER OF VACANCIES
Executive committee	06	Nil

Amenities , Safety & Security Portfolio committee	13	Nil
Finance Portfolio Committee	12	Nil
Economic Development and Planning Portfolio Committee	12	Nil
Local Public Administration and Labour Relations Committee	12	Nil
Infrastructure & Technical Portfolio Committee	12	Nil
Youth Sub Committee	06	Nil
Gender Sub Committee	07	Nil
MPAC	07	Nil
Audit Committee	04	Nil
Local Labour Forum	07	Nil
Turn Around Strategy Steering Committee	08	Nil
Rules Committee	05	Nil

#### EXECUTIVE COMMITTEE

No.	Surname and name	Gender	Designation	Party Affiliation
1.	Cllr. Mdabe Welcome	Male	Chairman	African National Congress
2.	Cllr. Shandu	Female	Deputy Mayor	African National Congress
3.	Cllr. Badul	Female	Member	African National Congress
4.	Cllr. Zondo	Male	Member	African National Congress
5.	Cllr MSC Motala	Male	Member	Inkatha Freedom Party
6.	Cllr. T Msweli	Male	Ex officio	African National Congress

#### COMMITTEE ALLOCATIONS

No.	Committee	Councillors
1	<b>Amenities , Safety &amp; Security Portfolio committee</b>	
	Cllr MSC Motala (Chairperson)	Cllr SM Cele
	Cllr LM Ndlovu	Cllr F Govender
	Cllr MA Maphumulo	Cllr CT Khumalo
	Cllr S. Xhakaza	Cllr VC Nzama
	Cllr LR Mdletshe	Cllr T.E. Msweli ( Ex Officio )
	Cllr MS Ntuli	

	Cllr MP Ntuli	
2	<b>Finance Portfolio Committee</b>	
	Cllr A. Badul (Chairperson)	Cllr J A Vallan
	Cllr S M Cele	Cllr M P Ntuli
	Cllr N V Chili	Cllr Z S Thoolsi
	Cllr J M Cele	Cllr LM Zondi
	Cllr M A Maphumulo	Cllr TE Msweli ( Ex Officio )
	Cllr M S Ntuli	One vacancy
3	<b>Economic Development and Planning Portfolio Committee</b>	
	Cllr SW Mdabe (Chairperson)	Cllr LR Mbonambi
	Cllr NV Chili	Cllr CP Ngidi
	Cllr CT Khumalo	Cllr RN Pakkies
	Cllr MS Ntuli	Cllr LN Zondi
	Cllr GN Mbonambi	Cllr TE Msweli ( Ex Officio )
	Cllr F P Nkosi	One vacancy
4	<b>Local Public Administration and Labour Relations Committee</b>	
	Cllr MD Shandu (Chairperson)	Cllr RN Pakkies
	Cllr D J Zubane	Cllr CP Ngidi
	Cllr F Govender	Cllr SG Xhakaza
	Cllr LR Mbonambi	Cllr TE Msweli ( Ex Officio )
	Cllr LR Mdletshe	One vacancy
	Cllr FP Nkosi	
5	<b>Infrastructure &amp; Technical Portfolio Committee</b>	
	Cllr TJ Zondo (Chairperson)	Cllr J A Vallan
	Cllr L R Makhathini	Cllr Z S Thoolsi
	Cllr V C Nzama	Cllr J M Cele
	Cllr LR Mbonambi	Cllr TE Msweli ( Ex Officio )
	Cllr L M Ndlovu	Two vacancies
	Cllr DJ Zubane	

## SUB COMMITTEES

No	Sub Committee	Councillors
1	<b>Youth Sub Committee</b>	
	Cllr LM Zondi (Chairperson)	Cllr CT Khumalo
	Cllr ZS Thoolsi	Cllr LR Makhathini
	Cllr FP Nkosi	
2	<b>Gender Sub Committee</b>	

	Cllr SM Cele (Chairperson)	Cllr LM Ndlovu
	Cllr MD Shandu	Cllr L R Makhathini
	Cllr SG Xhakaza	Cllr CP Ngidi
	Cllr SM Cele	
<b>3</b>	<b>MPAC</b>	
	Cllr CR Marsh (Chairperson)	Cllr CP Ngidi
	Cllr LR Mdletshe	Cllr MP Ntuli
	Cllr SM Cele	Cllr MA Maphumulo
	Cllr NV Chili	
<b>4</b>	<b>Audit Committee</b>	
	Mrs C Jugnarayan (Chairperson)	Mr J Muir
	Mr D Bosch (Deputy Chairperson)	Mr S Nel
<b>5</b>	<b>Local Labour Forum</b>	
	Cllr LR Mbonambi (Chairperson)	Mr N.G. Kumalo
	Cllr MD Shandu	Mr A Horton
	Cllr RN Pakkies	Mr HN Maphumulo
	Cllr CP Ngidi	

<b>TURNAROUND STRATEGY STEERING COMMITTEE</b>	
1	Cllr SW Mdabe (Chairperson)
2	Cllr SM Cele
3	Cllr MP Ntuli
4	Mr NG Kumalo
5	N Mba

<b>RULES COMMITTEE</b>	
1	Cllr TE Msweli (Chairperson)
2	Cllr SW Mdabe
3	Cllr CR Marsh
4	Cllr LR Mbonambi
5	Cllr CP Ngidi
6	Cllr J A Vallan

## COMMITTEES BY NAME AND PURPOSE

The following table reflects the different committees of Council and their respective purpose and functions:

<b>THE EXECUTIVE COMMITTEE (EXCO)</b>
The Committee:-

1. performs the functions of an Executive Committee set out in the Local Government : Municipal Structures Act, 1998;
2. takes such action as may be necessary to ensure compliance by the Council with all legislation relating to or affecting local government, including, but not limited to:-
  - The Local Government : Municipal Demarcation Act, 1998
  - The Local Government : Municipal Systems Act, 2000
  - The Promotion of Access to Information Act, 2000
  - The Municipal Finance Management Act, 2003
3. exercises all Powers of the Council which may be delegated by the Council in terms of the Constitution or any other law and which has not been delegated or assigned to any Municipal Functionary or municipal employee or is not deemed to be so delegated or assigned in terms of any law;
4. considers and determines any particular matter or issue or any matter of policy referred to the Committee by the Municipal Manager;
5. takes any necessary or incidental decisions for the management or administration of any resolution of the Council.

#### **AMENITIES, SAFETY AND SECURITY**

1. The Committee monitors, investigates, enquires into and makes recommendations to the Executive Committee relating to any aspect affecting the Council in connection with the following functions:-
  - a) Cemeteries and crematoria serving the area of a major proportion of municipalities in the District;
  - b) Disaster Management;
  - c) Fire-fighting services serving the area of the District as a whole;
  - d) Municipal Health Services; and
  - e) Sport and Recreation.
2. The Committee also monitors, investigates, enquires into and makes recommendations to the Executive Committee on any other matter referred to it by the Executive Committee for such monitoring, investigation or enquiry.

#### **ECONOMIC DEVELOPMENT AND PLANNING**

1. The Committee monitors, investigates, enquires into and makes recommendations to the Executive Committee relating to any aspect affecting the Council in connection with the following functions:-
  - a) Abattoirs serving a major proportion of the municipalities in the District;
  - b) Fresh produce markets serving a major proportion of the municipalities in the District;
  - c) Integrated Development Planning for the District;
  - d) Municipal airports serving the area of the District as a whole;
  - e) Promotion of a safe and healthy environment, including:-
    - (i) Conservation;



- (ii) Environmental Planning;
- f) Promotion of local tourism for the area of the District; and
- g) Promotion of social and economic development, including:-
  - (i) Agriculture;
  - (ii) Industrial Development;
  - (iii) Job creation;
  - (iv) Social Empowerment;
  - (v) Town Planning;
  - (vi) Cultural Upliftment; and
  - (vii) Poverty Alleviation.

- 2 The Committee also monitors, investigates, enquires into and makes recommendations to the Executive Committee on any other matter referred to it by the Executive Committee for such monitoring, investigation or enquiry.

#### **INFRASTRUCTURE AND TECHNICAL**

1. The Committee monitors, investigates, enquires into and makes recommendations to the Executive Committee relating to any aspect affecting the Council in connection with the following functions:-
  - a) Bulk Supply of Electricity;\*
  - b) Domestic waste-water and sewage disposal systems;
  - c) Municipal Fleet Management;
  - d) Municipal Buildings;
  - e) Municipal public works relating to the functions of the Municipality;
  - f) Municipal Roads which form a part of the road transport system for the area of the District as a whole;
  - g) Potable water supply systems;
  - h) Regulation of passenger transport services;
  - i) Solid Waste Disposal Sites serving more than one local municipality in the District; and
2. The Committee also monitors, investigates, enquires into and makes recommendations to the Executive Committee on any other matter referred to it by the Executive Committee for such monitoring, investigation or enquiry.

#### **FINANCE COMMITTEE**

1. The Committee monitors, investigates, enquires into and makes recommendations to the Executive Committee relating to any aspect affecting the Council in connection with the following functions:-
  - a) Audit;
  - b) Budget Monitoring;
  - c) Credit Control Monitoring;
  - d) Expenditure Monitoring;
  - e) Imposition and collection of taxes, levies and duties related to the functions of the Municipality;
  - f) Income Monitoring;
  - g) Indigent Support Programme Monitoring;
  - h) Performance Management;
  - i) Performance Management Audit;
  - j) Receipt, allocation and, if applicable, the distribution of grants made to the District Municipality; and
  - k) Supply Chain Management Policy oversight.
- 2 The Committee also monitors, investigates, enquires into and makes recommendations to the Executive Committee on any other matter referred to it by the Executive Committee for such monitoring, investigation or enquiry.

#### **LOCAL PUBLIC ADMINISTRATION AND LABOUR RELATIONS**

1. The Committee monitors, investigates, enquires into and makes recommendations to the Executive Committee relating to any aspect affecting the Council in connection with the following functions:-
  - a) Human Resource Development;
  - b) Labour Relations; and
  - c) Local Public Administration.
- 2 The Committee also monitors, investigates, enquires into and makes recommendations to the Executive Committee on any other matter referred to it by the Executive Committee for such monitoring, investigation or enquiry.

#### **POLITICAL DECISION-TAKING / MAKING WITHIN ILEMBE DISTRICT**

The Portfolio Committees of the Council do not have any executive powers. Matters that fall within the functional areas of Portfolio Committee are therefore submitted to the relevant Committee for consideration and the development of recommendations. The portfolio committee recommendations are then submitted to the Executive Committee which disposes of the matter if it falls within its delegated powers or refers the recommendation, with or without amendment, to the Council for determination. Processes are in place to ensure that all decisions are implemented.

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## 2.2 ADMINISTRATIVE GOVERNANCE

### INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

According to the MFMA 60(b): The Municipal Manager of iLembe District Municipality is the accounting officer of the municipality for the purposes of this Act and provides guidance on compliance with this Act to political structures; political office bearers, and officials of the municipality and any entity under the sole or shared control of the municipality, namely Enterprise iLembe.

The iLembe District Municipality has a well-established organisational structures and systems in place. This is despite the challenge of the vacant positions of the Municipal Manager and the Acting Director Technical Services by June 12014.

The structure that was in place as at 30 June 2014 was appropriate for the developmental local government mandate assigned to the District Municipality in terms of the Municipal Structures Act, 1998. With this in mind, the Municipality's organisational structure provides for four Directorates that are managed by the Municipal Manager. The District Municipality employ 459 staff members and the four Directorates are:

### TOP ADMINISTRATIVE STRUCTURE



Mr. NG Kumalo: Acting Municipal Manager



Ms N Mba: Director: Finance



Ms Yvonne Mathonsi: Director:  
Corporate Governance



Mr Notha Maphumulo: Acting  
Director: Technical Services



Mr G Kumalo:  
Director: Corporate Services

## **COMPONENT B: DISTRICT INTERGOVERNMENTAL RELATIONS STRUCTURES**

There are various Provincial Intergovernmental fora in which the District Mayor sits and represents the District family of Municipalities. There is a Premier's Coordinating Forum which constitutes of MECs, the Mayors, Heads of Departments as well as the Municipal Managers that is chaired by the Provincial Premier. This Forum meets on a quarterly basis and has a sub-structure chaired by the MEC COGTA called the MUNIMEC which is constituted by the all the KZN Mayors Municipal Managers, Heads of Departments as well as the SALGA representative. This sub-structure meets quarterly prior the meeting of the Premiers Coordinating Forum.

There is also a Provincial SALGA structure for all IGR Practitioners and Managers, this structure focuses on strengthening relations as well as the coordination IGR functions within Municipalities. ILembe District Municipality has been engaging with the EThekweni Metro regarding the establishment of the Liberation Heritage Route for EThekweni Metro and ILembe district Family of Municipalities. These Municipalities have had one successful meeting with clear resolutions that are at implementation planning stage as well as draft Terms of Reference.

### **RELATIONSHIPS WITH MUNICIPAL ENTITIES**

At the District level, the District Intergovernmental Forum plays a monitoring and oversight role over the family of municipalities. The forum constituted by the Mayors of the District family, the Municipal Managers and chairpersons of technical sub-fora; meets quarterly to discuss issues of mutual interests, explore possible areas of joint ventures as well as monitor progress on compliance issues such as Auditor General related queries, compliance with all finance related legislations and financial management including revenue generation, quality of services delivered to the communities, Municipal Capacitation and so forth.

All Municipalities are represented to ensure that all resolutions taken are implemented respectively. Furthermore the District plays a coordinating role at the request of the Local Municipalities to source assistance and interventions to mitigate challenges experienced by Local Municipalities.

Municipal functioning, challenges and best practices are discussed at technical sub-fora and escalated to the Technical Support Forum which is made up of Municipal Managers and the Chairpersons of technical sub-fora. Once the Technical Support Forum has discussed the reports from the sub-fora a consolidated report with recommendations and/or resolutions is then escalated to the District Intergovernmental Forum for further consideration.

## DISTRICT INTERGOVERNMENTAL STRUCTURES

There are eleven (11) IGR structures in the District as illustrated in the table below. These structures are made up of relevant stakeholders from all three spheres of government, government agencies, private entities and Amakhosi.

NO.	NAME OF THE FORUM	MEETING FREQUENCY	CHAIRPERSON
1	DIF - DISTRICT INTERGOVERNMENTAL FORUM (MAYORS')	Quarterly	District Mayor
2	TSF-TECHNICAL SUPPORT FORUM (MMS')	Monthly	Municipal Manager of ILembe District Municipality
3	DAFF-DISTRICT AREA FINANCIAL FORUM (CFOs)	Quarterly	Municipal Manager of Ndwedwe local Municipality
4	DISTRICT GOVERNMENT IT OFFICERS COMMITTEE (DGITOC)	Quarterly	Municipal Manager of ILembe District Municipality
5	DISASTER MANAGEMENT ADVISORY FORUM (DMAC)	Quarterly	Municipal Manager of KwaDukuza Local Municipality
6	PERFORMANCE MANAGEMENT SYSTEM FORUM (PMSF)	Quarterly	Municipal Manager of Mandeni Local Municipality
7	LOCAL ECONOMIC DEVELOPMENT FORUM (LEDF)	Bi-Monthly	Municipal Manager of Mandeni Local Municipality
8	DISTRICT COMMUNICATORS FORUM (DCF)	Monthly	Municipal Manager of Ndwedwe Local Municipality
9	PLANNING AND DEVELOPMENT FORUM (PDF)	Monthly	Municipal Manager of Mandeni Local Municipality
10	INFRASTRUCTURE FORUM (IF)	Monthly	Municipal Manager of KwaDukuza Local Municipality
11	SPEAKERS' FORUM	Monthly	District Speaker

## COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

Public participation is an integral part of local democracy and participatory local governance and that the involvement of communities and community organisations in the matters of local government is one of the objects of local government.

### PUBLIC MEETINGS MEETING THAT WERE HELD IN THE 2013/2014 FIANACIAL YEAR

Nature and Purpose of the meeting	Date of meeting	Number of Participating Municipal Councillors	Number of Participating Administrators	Number of Community Members attending	Issue addressed (Yes/No)
1. Public meeting on metering system	06 July 2013	7	10	97	Yes
2. Public meeting on metering system	06 July 2013	7	10	76	Yes
3. Public meeting on metering system	07 July 2013	5	8	250	Yes
4. Public meeting on metering system	07 July 2013	5	8	198	Yes
5. Public meeting on water	28 July 2013	3	6	39	Yes
6. Public Meeting (sanitation Project)	14 September 2013	2	3	250	Yes
7. Public meeting (sanitation Project)	22 September 2013	3	3	58	Yes
8. Public meeting (sanitation Project)	28 September 2013	6	4	61	Yes
9. Public meeting on Intelligent metering system	28 September 2013	9	7	60	Yes
10. Public meeting on metering system	29 September 2013	10	8	74	Yes
11. Public meeting on metering system	29 September 2013	14	8	207	Yes
12. Public meeting intro-Mvutshane water project	13 October 2013	2	3	200	Yes

13. IDP meeting	16 October 2013	12	6	352	Yes
14. IDP meeting	17 October 2013	16	4	62	Yes
15. IDP meeting	18 October 2013	8	6	153	Yes
16. IDP meeting	1 November 2013	12	9	148	Yes
17. IDP meeting	2 November 2013	12	9	213	Yes
18. Public meeting on metering system	05 November 2013	8	9	133	Yes
19. Public meeting- bulk water supply	16 November 2013	20	8	291	Yes
20. Public meeting on metering system	22 February 2014	9	8	86	Yes
21. Public meeting on metering system	22 February 2014	13	8	57	Yes
22. Public meeting on metering system	23 February 2014	12	5	74	Yes
23. Public meeting on metering system	1 March 2014	3	7	136	Yes
24. Public meeting on metering system	1 March 2014	3	7	262	Yes
25. Public meeting on metering system	9 March 2014	4	8	53	Yes
26. Public meeting on metering system	4 March 2014	7	5	20	Yes
27. Public meeting on metering system	5 March 2014	6	7	21	Yes
28. Public meeting on metering system	8 March 2014	4	4	15	Yes
29. Public meeting on metering system	16 March 2014	8	8	95	Yes
30. Public meeting on metering system	16 March 2014	4	9	143	Yes

31. IDP meeting	25 March 2014	11	8	139	Yes
32. IDP meeting	26 March 2014	12	7	260	Yes
33. IDP meeting	29 March 2014	13	10	577	Yes
34. IDP meeting	02 April 2014	14	8	205	Yes
35. IDP meeting	03 April 2014	15	10	248	Yes
36. IDP meeting	09 April 2014	16	6	277	Yes
37. IDP meeting	10 April 2014	7	13	310	Yes
38. IDP meeting	11 April 2014	12	11	201	Yes
39. IDP meeting	16 April 2014	21	12	152	Yes
40. IDP meeting	16 April 2014	8	5	353	Yes
41. IDP meeting	23 April 2014	17	6	63	yes
42. IDP meeting	26 April 2014	10	15	101	Yes
43. IDP meeting	30 April 2014	9	10	414	Yes
44. IDP meeting	11 May 2014	6	9	418	Yes
45. IDP meeting	13 May 2014	10	9	209	Yes
46. IDP meeting	13 May 2014	12	9	230	Yes
47. Public Meeting	01 June 2014	15	5	304	Yes



## **COMMUNICATION, PUBLIC PARTICIPATION AND RELATED FORUMS**

The following are the public participation and communication structures and mechanism that exists within the ILembe District Municipality:

### **SPEAKERS' FORUM**

The Forum consists of:

- a. the Speaker of iLembe District Municipality;
- b. the Speakers of all Local Municipalities

The chairperson of the Forum is the iLembe District Municipality Speaker. In his absence the meeting elects a pro-term Chairperson of the same position. Official responsible for public participation also attend the Speakers Forum.

### **Objectives of forum**

The main objective of the Forum is to promote and facilitate intergovernmental relations, cooperative government and share cultures of initiatives between the iLembe District Municipality and the Local Municipalities, including:-

- a. to seek unity of purpose and co-ordination of effort around the programmes championed in the office of the Speaker in the broader District;
- b. to serve as a main structure of the District Wide Ward Committee Forum; and
- c. to ensure effective and efficient coordinated Community / Public Participation within the District.

The Forum meets quarterly and additional or Special meetings are called when and as the need may arise by the Chairperson or as per request by any member of the Forum through the Chairperson. The Speaker's forum is functioning and various sector departments and stakeholders are invited at these meeting to provide detailed information on programme that will impact public participation in the district.

All the wards within the iLembe District Municipalities have elected wards committees. They have all been inducted and have been provided with training to capacitate them to be able to facilitate service delivery issues in their areas. The ward committees in the district are largely functional with the support they receive from local municipalities and the district municipality. However, there are challenges that are being experienced by the local municipalities as they engage with the ward committee:

- Some ward committee members drop out because they receive better jobs elsewhere which leave a vacuum in the committees. The process of replacing them sometimes delay;

- Some members are demotivated because they feel that the remuneration that they receive from the municipalities is too little as compared to the amount of work that they are engaged with. The iLembe District Municipality provides travel costs if they are invited to districts meetings.

The iLembe District Municipality is not responsible for the ward committees but gets to access the ward committees through the local municipalities. The ward committee for part of the IDP Representative Forum and they are engaged during the planning and facilitation meetings.

### **DISTRICT COMMUNICATORS' FORUM (DCF)**

Government communication is a strategic and planned process that is aimed at ensuring effective dialogue between government and the communities. The constitution of the Republic of South Africa, 1996, contains a number of sections which set the tone for local government communications. These include, Sections 152(1) e; Section 160(7); Section 126(3); Municipal Systems Act, 2000; Promotion of Access to Information, 2000 and the Intergovernmental Relations Framework Act, 2005.

Communications has a role of creating messages that harmonise the political and the administrative arms of government. Communication is a strategic function that ensures the public receives information about municipal policies, programmes and services.

The District Communicator's Forum provides a platform for communicators within the district municipality to plan and identify communication opportunities across the sphere of government through substantive discussions and joint planning to fulfil the government's commitment to accelerate service delivery to ensure a better life for all.

### **COMPOSITION AND MEMBERSHIP**

The membership of DCF is open to all government communicators operating within the district. This includes:

- District Communications Manager – Chairperson of the Forum
- Communicators from the local municipalities
- Communicators or representatives of the sector departments with the iLembe District Municipalities
- COGTA
- GCIS
- Office of the KZN Premier

## STRATEGIC OBJECTIVES OF THE DCF

The objectives of the DCF are as follows:

- To ensure that government speaks in one voice;
- To foster a more positive communication environment among a family of municipalities, sector departments and relevant stakeholders within the district municipality;
- To foster integrated communication;
- To ensure a coherent and effective interaction between the District Municipality and its targeted audience;
- To ensure that citizens of the district participate in the decision making processes;
- To ensure and promote the development of coordinated, integrated and sustainable programme of communications in the district;
- To ensure maximum administrative and operational effectiveness and efficiency of all communication programmes in the district; and
- To support the political leadership across the family of municipalities in its pursuit to deliver basic services and development.

In relation to the communications and imparting the municipal information to the public, the Communication Sub-directorate in the iLembe District Municipality manages the flow of communication from/ to the organization, media and broader communities. It is also responsible for attending to the information needs with respect to the Web site of the Municipality, checking and approving the insertion of news items, articles and photographs. Legislated information in terms of Section 75 of the MFMA is also placed in the municipal website and updated as stipulated in the MFMA. This includes the following information:-

- that have been disposed of in terms of section 14(2) or (4) during the previous quarter;
- performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act;
- all supply chain management contracts above a prescribed value;
- public-private partnership agreements referred to in section 120 of the MFMA;
- The annual and adjustments budgets and all budget-related documents and all budget-related policies;
- all service delivery agreements;
- all long-term borrowing contracts;
- an information statement containing a list of assets over a prescribed value
- contracts to which subsection (1) of section 33 apply, subject to subsection (3) of that section;
- the annual report;
- all quarterly reports tabled in the council in terms of section 52(d); and other documents that must be placed on the website in terms of this Act or any other applicable legislation, or as may be prescribed.

## **OTHER STRUCTURES THAT ARE UTILISED TO ENHANCE COMMUNICATION AND PUBLIC PARTICIPATION**

### **COMMUNITY DEVELOPMENT WORKERS (CDWs)**

The iLembe District Municipality has total of 76 wards and not all these wards have CDWs. This is a challenge because a large number of wards are not benefiting from the services that are provided by the CDWs especially when it comes to household profiling and identification of urgent service delivery cases under the auspices of Operation Sukuma Sakhe as well as cascading of information to the people. Another challenge is that the CDWs are not available to provide support to the municipalities because of other commitments that they have from COGTA. The issue of CDWs remains a challenge that the district needs to innovatively address in the 2014/2015 financial year.

### **TRADITIONAL LEADERSHIP**

The iLembe District Municipality has a total of 35 Amakhosi. The new District Traditional House was reinstituted in June 2012, and is currently led by Inkosi VP Ngcobo who is also the Deputy Chair of the provincial house of traditional leadership in KwaZulu Natal. There is a healthy working relationship between the Local Traditional House and the iLembe District Municipality. Amakhosi are invited in community activities that are happening in their areas and district activities that will have impact in service delivery in their areas. These activities include IDP Public Participation meetings, conferences and seminars, to mention a few. Presentations on matters of Council are also periodically made at the seating of the iLembe District Traditional Council.

As at June 2014, iLembe District Municipality was in a process of engaging with COGTA to establish the guidelines or framework on how to engage with the traditional leaders as stated by Section 81 of the Municipal Structures Act. In this regard, at the end of the 2013/2014 financial year, processes of allocating Amakhosi to serve in the various Council's portfolio committees were at an advanced stage with an inauguration programme and event planned to be held early in the new financial year.

### **WARD COMMITTEES**

Ward committees are an important structure that can be used to enhance public participation and community involvement in the affairs of the municipality. Formal ward committees have been established in all the family of municipalities in the iLembe District. It is evident that there is a strong willingness by municipalities to encourage public participation. Led by the KZN Department of Cooperative Governance and Traditional Affairs, the year 2013/2014 saw an increased focus on capacitation of ward committees in terms of their roles and tools that need to be used to assess and report on ward functionality. Ward Committees are therefore accessed through Local Municipalities and the success of the IDP, Introduction of Intelligent metres and the disaster ward based risk assessments projects in 2013/2014 was due to the cooperation of the ward committees led by ward councillors.

## IDP PARTICIPATION AND ALIGNMENT

IDP PARTICIPATION AND ALIGNMENT CRITERIA*	YES/NO
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the Section 57 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes

## COMPONENT D: CORPORATE GOVERNANCE



Ms. Yvonne Mathonsi

Director: Corporate Governance

**“Striving to build a positive Corporate  
identity and image of ILembe District  
Municipality and the district as a whole  
Yvonne Mathonsi; Director: Corporate  
Governance**

### OVERVIEW: CORPORATE GOVERNANCE

**The Strategic Mission of Corporate Governance is to enable political office bearers to fulfil their constitutional functions and electoral mandate by:**

1. Providing professional, effective and efficient support services to the three principals (Mayor, Deputy Mayor and the Speaker) in support of their obligations;
2. Effectively planning and overall co-ordination and monitoring public participation process through activities of Public hearings and Public meetings;
3. Effectively planning and overall co-ordination of interdepartmental, parliamentary, ministerial and royal visits and programmes;
4. Ensuring effective functioning of Ward Committees in the district;
5. Monitoring and evaluation of programmes, reporting on actual performance against what was planned according to the IDP priorities and SDBIP;
6. Liaising with other state departments and Local Municipalities in pursuance of goals and objectives enshrined in the constitution, section 41, Chapter Two, Co-operative Governance and intergovernmental relations Framework Act, 2005;
7. Rendering support services, Speech writing, protocol and ceremonial services, as well as communication services to the office of the Mayor, Deputy Mayor and Speaker and Municipal Manager and other Directorates within the municipality.

## 2.3 MUNICIPAL WEBSITE

As per the requirement for Municipal websites as set out in MFMA section 75 , Ilembe District website made significant strides in meeting the requirements as outlined below:

<b>Documents Published on the Municipality's/Entity's Website</b>	<b>Yes/No</b>
Current annual and adjustments budgets and all budget-related documents	<b>Yes</b>
All current budget-related policies	<b>Yes</b>
The previous annual report (2012/2013)	<b>Yes</b>
The annual report (2013/2014) published/to be published	<b>Yes</b>
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (2013/2014) and resulting scorecards	<b>Yes</b>
All service delivery agreements (2013/2014)	<b>Yes</b>
All long-term borrowing contracts (2013/2014)	<b>Yes</b>
All supply chain management contracts above a prescribed value (give value) for 2013/2014	<b>Yes</b>
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during 2013/2014	<b>Yes</b>
Contracts agreed in (2012/2013)to which subsection (1) of section 33 apply, subject to subsection (3) of that section.	<b>Yes</b>
Public-private partnership agreements referred to in section 120 made in (2012/2013)	<b>Yes</b>
All quarterly reports tabled in the council in terms of section 52 (d) during (2012/2013)	<b>Yes</b>

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## **2.4 SPORT AND RECREATION**

### **INTRODUCTION**

Sport and Recreation plays a pivotal role in uniting people across racial, religious and political lines. It is for the aforesaid reason that , Government promotes Sport as a vehicle for the creation of social cohesion and nation building. Due to past policies of segregation, previously disadvantaged communities and certain segments of our society such as women , the elderly and people living with disabilities were marginalised in all aspects of life including but not limited to Sports and Leisure.

iLembe District Municipality clearly understands the role it needs to play in creating an atmosphere where people in their diversity can inter-relate and live side by side. It also recognizes that Sport and Recreation especially targeted at the marginalised and previously disadvantaged need tremendous support and prioritization. The following become the District's priorities in trying to address the imbalances and promotion of Sport Development in our society:

- Establishing institutional capacity to manage Sport;
- Funding sports and recreation programmes that are developmentally inclined;
- Alignment of Municipal Sport plans with National and Provincial Policies;
- Skills Development and Training in the Administration and Technical fields of Sport;
- Building partnerships for better alignment of programmes; and

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## **2.5 DISASTER MANAGEMENT**

### **FIRE**

The district continues to support the four local municipalities in firefighting interventions. Some of the interventions include training of Fire fighters in municipalities that have no firefighting capacity. Municipalities where firefighters have been trained in Firefighting 1 and 2, include Mandeni, Maphumulo and Ndwedwe. The district also conducted a fire services status quo analysis in an effort to establish bare minimum firefighting services in all local municipalities, with the final report submitted to internal and external stakeholders. External fire services support have also been sourced from both the Provincial Disaster Management Centre (PDMC) and the USA 911 Fund team, who have also come on board to support iLembe District. The district is also part of stakeholders who are involved towards the amendment of the Fire Brigade Services Act of 1997, which outlines the manner in which Fire Services should function in all sectors.



## **DISASTER RISK REDUCTION**

In the 2013/2014 ILembe District Disaster Management unit, successfully reviewed the District Disaster Management Plan which was developed in 2009. As required by Section 53 of the Disaster Management Act 57 of 2002, the process started by conducting Ward Based risk assessments in consultation with all local municipalities. The district has already adopted a pro-active approach towards disaster management in the following manner:

- Summer and winter season contingency plans have been developed in ensuring that various stakeholders are aware of their roles and responsibilities during incidents and disasters;
- Standard Operating Procedures have also been developed for responding to disasters, whereby they clearly outline stakeholders who are to assume primary and secondary responsibilities during incidents
- The district captures incidents on an ongoing basis, and is therefore aware of the geographical and spatial location of hazards that affect local communities.

## **COMMUNITY AWARENESS CAMPAIGNS**

The district continues to conduct ongoing community awareness campaigns in ensuring that communities exercise risk avoidance behavior and also exercise precautionary measures during incidents. As required by the International Strategy For Disaster Risk Reduction, most of community awareness campaigns are targeting vulnerable communities, especially schools to be specific. This is done as it has been proved that young learners can be utilised as a source for information dissemination. All community awareness campaigns that are conducted are fit for purpose, unique to particular hazards and a specific to particular hazards.

Some of the awareness messages that are shared include safety during the 2013/2014 financial year include:

- Severe thunderstorms (heavy rainfall, strong winds, hail and lightning);
- Informal Settlements and Veld Fires;
- Usage of Generators;
- Usage of Paraffin Stoves and
- Usage of Candles.

## **CAPACITY BUILDING PROGRAMME**

Capacity building programme is being implemented to enhance disaster management capacity in the district. Some of the targeted stakeholders include Councillors, Traditional Leaders; Ward Committees, Volunteers, Community Development Workers, Sectors Department, Community Representatives etc. Capacity building programmes are also utilised to conscientise local municipalities to comply with the requirements of the Disaster Management Act and the National Disaster Management Framework. Some of the district achievements to date is that Maphumulo, Mandeni and KwaDukuza Local Municipalities have employed personnel to deal solely with disaster management. Plans are also underway at Ndwedwe Local Municipality to employ staff to deal solely with disaster management.

## **EMERGENCY RELIEF AID**

All incidents that are reported are responded to timeously, with disaster assessments conducted in all the households that are affected. To date, the district is able to meet its turnaround time of responding within 48 hours of the incident being reported. All households affected are assisted with temporary relief aid to ensure that they temporary cope with the situation. Emergency aid that get issued include blankets, plastic sheeting, temporary shelter and food parcels. Once the assessments are completed, iLembe District compiles a beneficiary list that gets submitted to the Provincial Disaster Management Centre, for ultimate submission to relevant line function departments. Once the incidents have been captured, the District then plays its role of co-ordination my monitoring interventions by government departments such as the Department Of Social Development, Department Of Housing, Department Of Transport etc.

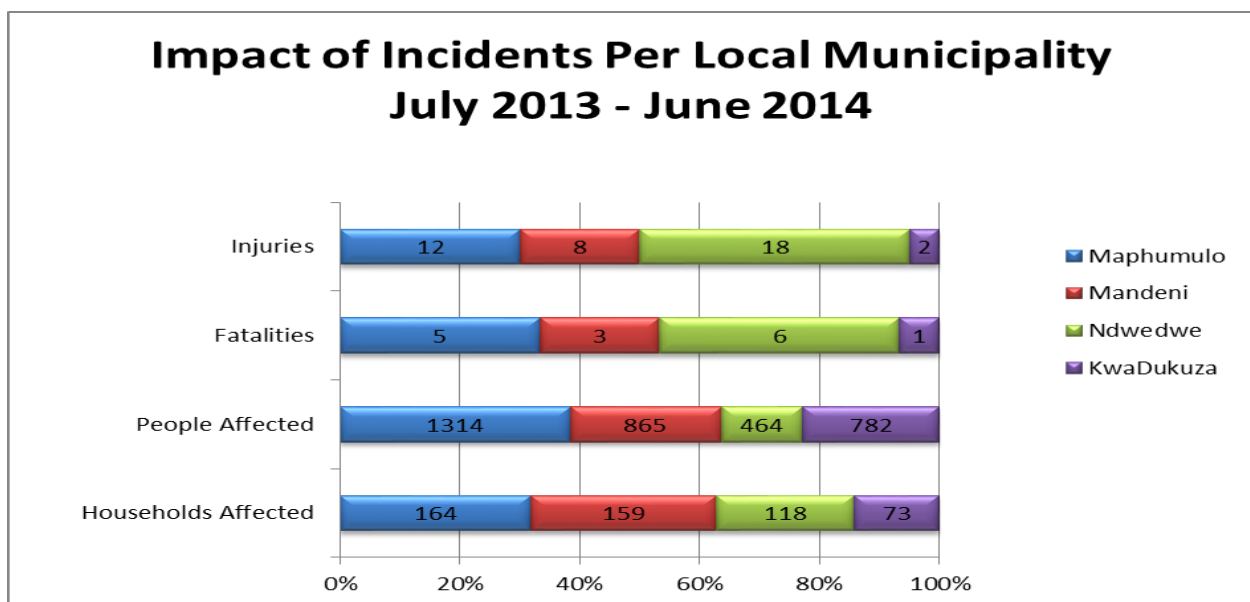
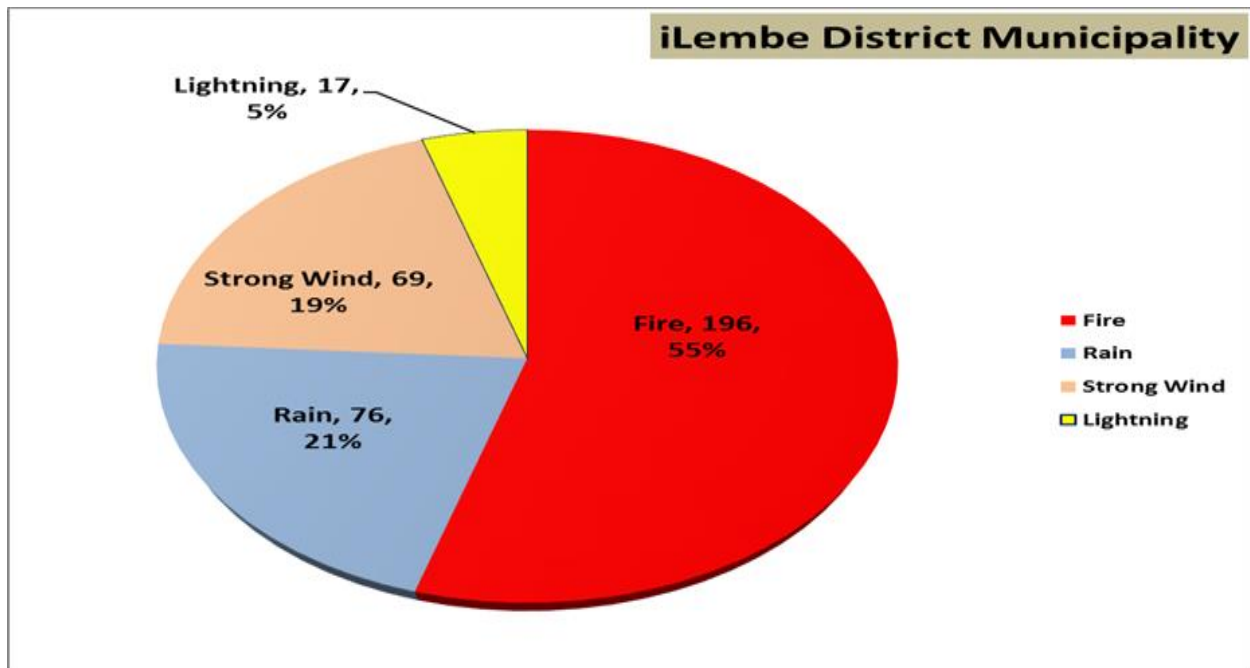
## **DISASTER MANAGEMENT CENTRE**

The District Disaster Management Centre is complete and is situated at No 12 Haysom Road in KwaDukuza. Although the Disaster Management Centre is complete, there are areas that are being finalized such as electrification and installation of Office Furniture and the communications system, it is therefore anticipated that the launch of the Centre will take place during the third quarter of the 2014/2015 financial year.

In an effort towards having an integration Call Centre for the whole Ilembe District, the 24 hour Call Centre will be housed in the Disaster Management Centre and shall incorporate and manage both water and disaster management queries. Water Call Centre staff were trained on how to handle and elevate disaster management queries.

Despite the progress and all the commendable work that is being done in the area of Disaster Management, the table below indicates that in Ilembe District , most incidents are as a result of Lighting , Strong winds , Rain and Fire.

It can also be noted that lack of capacity in the area of firefighting especially in Ndwedwe and Maphumulo poses a serious threat for the entire district. In the year 2013/2014, Mandeni Municipality contracted Rural Metro Company to assist in the area of firefighting however, there remains an important need for the district to prioritize the issue of establishing fire stations especially in Ndwedwe and Maphumulo Local Municipalities.



## ILEMBE DISTRICT CLIMATE CHANGE SUMMIT

As one of the main achievements in the 2013/2014 financial year, the District conducted a Climate Change Summit on the 04<sup>th</sup> & 5<sup>th</sup> of June 2014 which was a follow up to the District Summit that was held in August 2010. The theme of the Summit was ***“Let’s work together to avert and mitigate the impact of climate change through disaster risk reduction and climate change responses”*** with the following key focus areas:

- **Theme 1:** Adopting By Building Resilience
- **Theme 2:** Contributing To Mitigation Of Greenhouse Gas Emissions
- **Theme 3:** Facilitating A Transition Towards Low Carbon Societies
- **Theme 4:** Improving Understanding Of Climate Change Science
- **Theme 5:** Capacity Building And Awareness Campaigns
- **Theme 6 :** Exploring Opportunities For Renewable Energy Mix

The objectives of the 2014 Climate Change Summit included the following:

- To strengthen the capacity of decision makers within iLembe District in order to effectively address disaster risk reduction and climate change related issues.
- To promote awareness of key climate change and disaster risk issues affecting iLembe District.
- To influence iLembe Climate Change Policy decisions that need to be developed as well as those that currently exist.
- To consolidate, share and draw lessons learnt from the views and experiences of stakeholders on the impacts and effects of climate change within iLembe District.
- To report progress made thus far with regards to implementation of Climate Change Programmes and Climate Change Responses.
- To share current Climate Change challenges and proposed solutions.
- To share knowledge and progress on the implementation of climate change prevention and mitigation interventions by various stakeholders.

On the second day of the Summit, resolutions were taken and below are some of the critical issues that needs to be addressed by iLembe District moving forward:

- To **conduct a SWOT analysis** and develop strategy (including Local Municipalities) to confirm the need to move towards a Low Carbon Society.
- To develop a **Climate Change Programme**, which should be aligned with those of the Sector Departments both provincially and nationally.
- To consider mutual and beneficial relationships with **Research and Scientific Institutions**.
- To **establish IGR Structures (District Climate Change Forum or Committee)**.
- To partner with other stakeholders and develop a **capacity building programme** to build community resilience in mitigating against the impacts of Climate Change.
- To ensure that there are **no language barriers** by communicating Climate Change issues in a language that is understood by local communities.

Over and above the resolutions that were taken during the Summit, the District is already finalising the implementation strategy to include the following:

- The development of the Climate Change response strategy for the District, which will cater for all Local Municipalities,
- Addressing energy access for rural community residing in areas such as Maphumulo and Ndwedwe, and
- Exploring potential for renewable energy and energy efficiency projects in different Local Municipalities such as KwaDukuza and Mandeni.

With the appointment of an environmental specialist in the 2013/2014 financial year to deal with , amongst other things , the district's responses to Climate Change , we firmly belief that the resolutions of the 2014 Summit will go a long way in dealing with the issue of climate change and alleviate the disasters that are a result of climate change.

## CHAPTER 3: SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I)

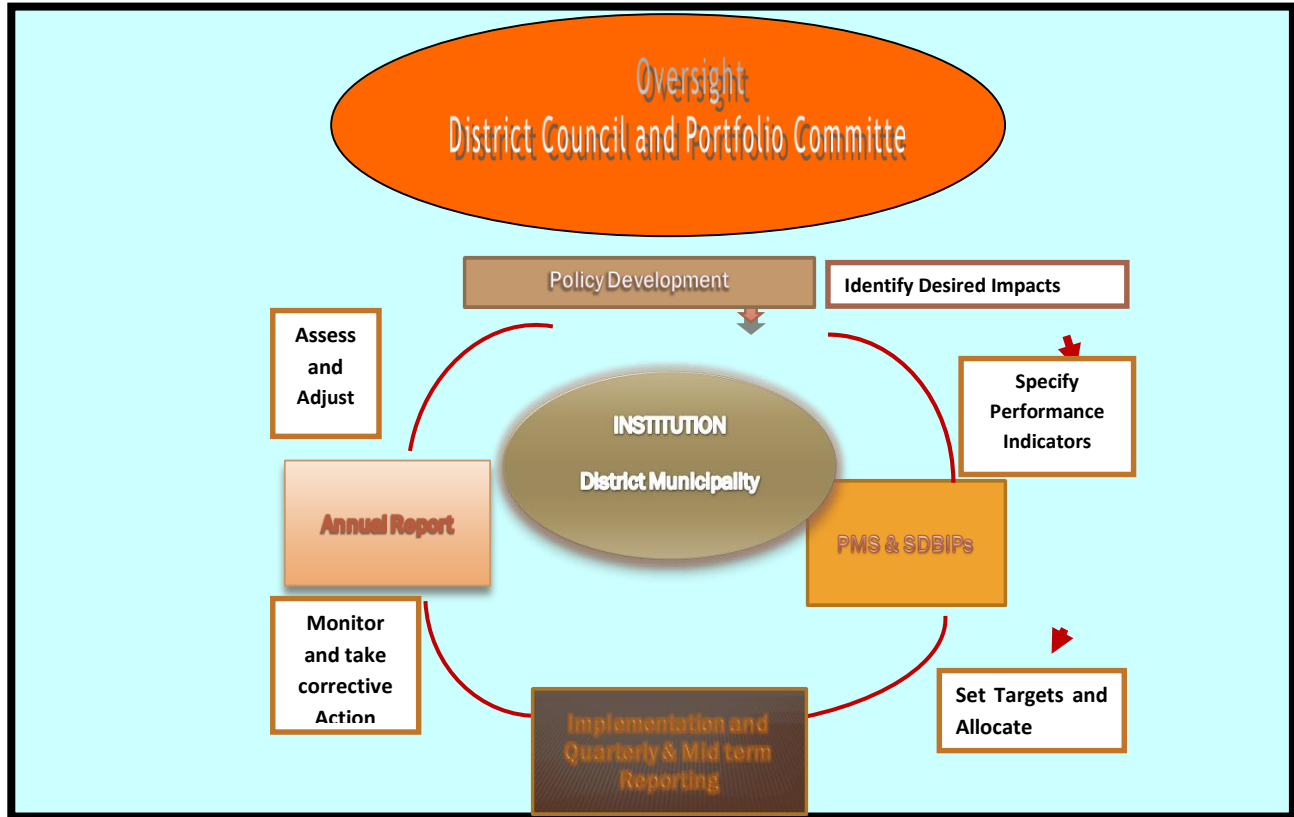
### 3.1. ORGANISATIONAL DEVELOPMENT PERFORMANCE

The Municipal Systems Act (MSA) of 2000, Section 38 (a) mandates municipalities to establish performance management systems. The Planning and Performance Management Regulations of 2001 describes the municipality's performance management system as consisting of a framework that articulates and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed. The Regulations also determine the roles of different stakeholders.

The iLembe District Municipality's has reviewed and adopted an Organisational Performance Framework in March 2012. The framework was again reviewed and adopted by Council on the 27 May 2013.

The Municipal Systems Act of 2000, in terms of section 46 (2), requires the municipalities to compile an Annual Performance Report that forms part of the Annual Report prepared in terms of the Municipal Finance Management Act. This Report therefore focuses on the Organisational Objectives, and the achievements thereof made by the iLembe District Municipality in the 2013/14 financial year. It also provides feedback on the targets as set out in the approved Organisational Scorecard as well as the Service Delivery and Budget Implementation Plan used to monitor performance at an operational level.

### 3.2. PERFORMANCE MANAGEMENT IMPLEMENTATION IN ILEMBE DISTRICT MUNICIPALITY



The Ilembe District municipality has committed itself to work towards “operation clean administration” so that the municipality receives a clean audit opinion on both financial and performance information. Therefore the municipality continues to strengthen its internal control in the matters of evidence for all the work that is being conducted.

The oversight role of the portfolio committees is improving as all reports are submitted to these committees prior Exco submission. The Portfolio committees therefore ensure that not only progress **against targets set** is monitored but corrective measures put in place where targets have not been met.

The system of monthly reporting and submission of portfolios of evidence is therefore no longer a challenge and this affords MANCO an opportunity to review the various reports monthly and come up with corrective measures where there are challenges.

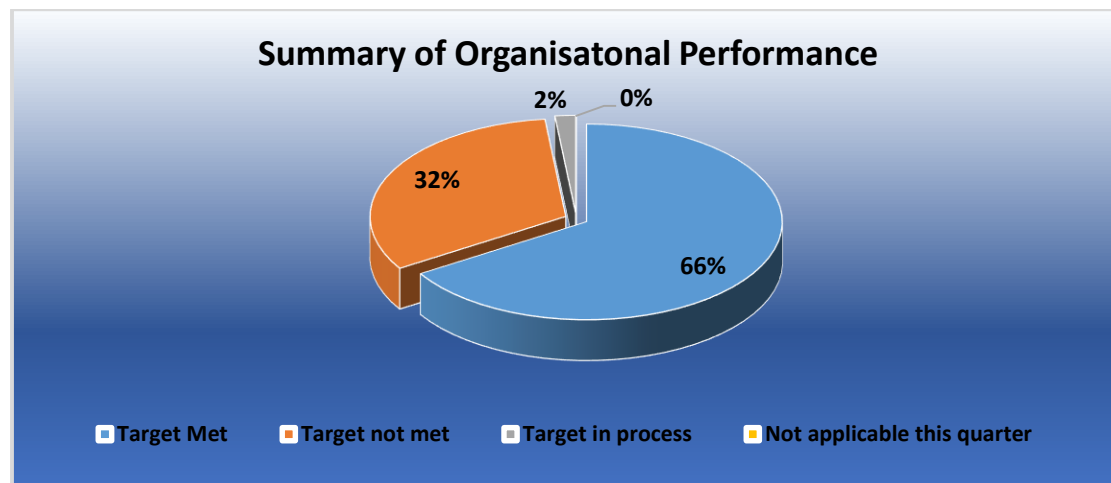
The PMS automated system has not been fully implemented due to challenges experienced in finalising the system during the year, however the plan is underway for the system to be fully implemented and training conducted by January 2015, which will assist in easier verification of reports submitted by the

department as well as evidence uploaded, which will increase the strength of credibility, accuracy reliability of our reported performance information.

### 3.3. OVERALL ORGANISATIONAL SUCCESS RATE

In terms of the iLembe District municipality's overall performance for the **2012/2013** financial year, a total of **43** out of **71** targets in its organisational scorecard were met. This represents a **61% success rate**.

Comparatively, **2013/2014** saw iLembe meeting **66 %** of its targets. There were **59** targets in the organisational scorecard of which **39** were met, **1** was in progress and **19** were not met.



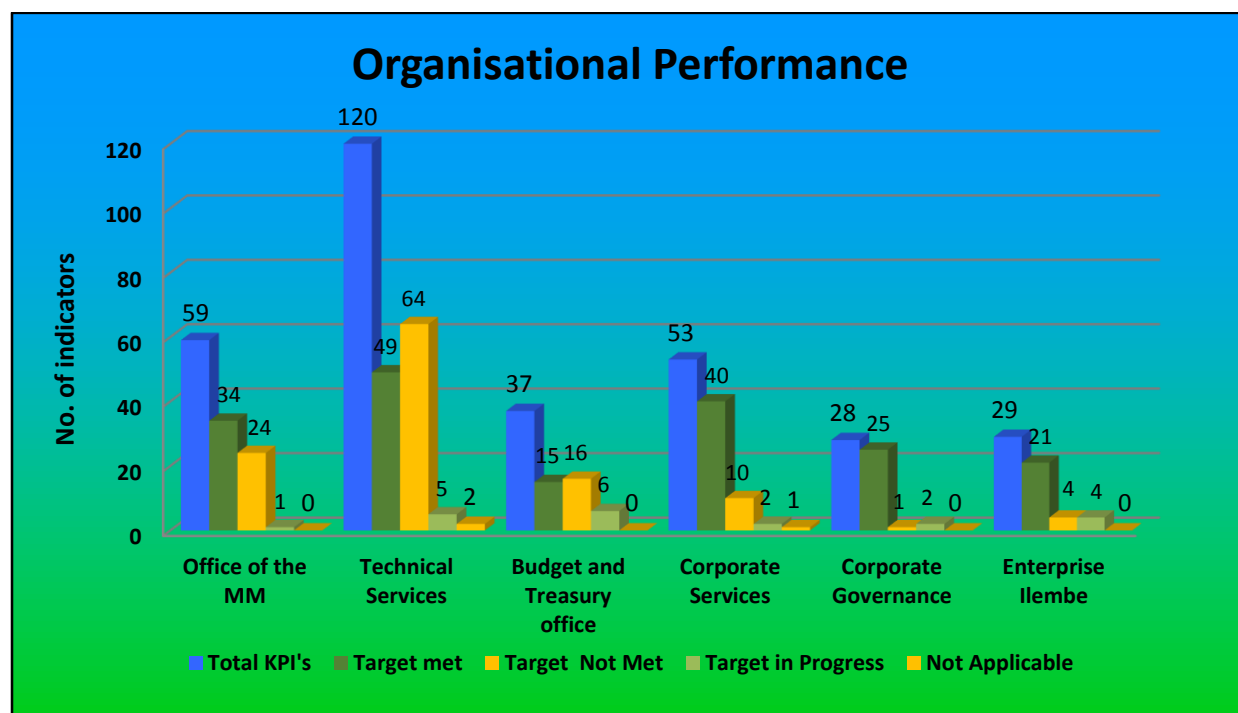
#### Weightings on Indicators as per the Organisational Scorecard:

Indicators for all departments	High weight	Medium weight	Low weight	Total
Target met	27	12	0	39
Target in progress	0	1	0	1
Target not met	15	4	0	19
Not Applicable	0	0	0	0
<b>TOTAL</b>				<b>59</b>



The diagram below depicts the performance of the district in relation to the various business units.

**Figure 1: Organisational Performance**



### **3.4. DEPARTMENTAL RESULTS FOR THE YEAR 2013/2014**

#### **3.4.1. OFFICE OF THE MUNICIPAL MANAGER**

The Office of the Municipal Manager is made up of four sub units viz Planning, Performance Management, Risk Management and the Internal Audit unit. Below are highlights of the achievement of the various unit the year 2013/2014.

#### **HIGHLIGHTS ON ACTUAL PERFORMANCE AGAINST SET TARGETS**

##### **PLANNING UNIT**

The Planning Unit commenced with the Annual IDP review as planned which was finalised and approved on the 29 May 2014 as per deadline. The public and stakeholders' consultation was duly conducted throughout the district inline with the set prescripts. Notably, were the nine (9) planning and infrastructure meetings that were on developers' requests in 2013/2014.

##### **PERFORMANCE MANAGEMENT UNIT**

The Annual Performance Report for 2012/2013 was prepared and submitted to the Performance Audit committee, Manco and EXCO for approval. The deadline for submission to the Auditor General on the 30 August 2013 for auditing purposes was also met. The 2014/2015 Financial Year's SDBIP was approved on 24 June 2014 and all legislation was complied with.

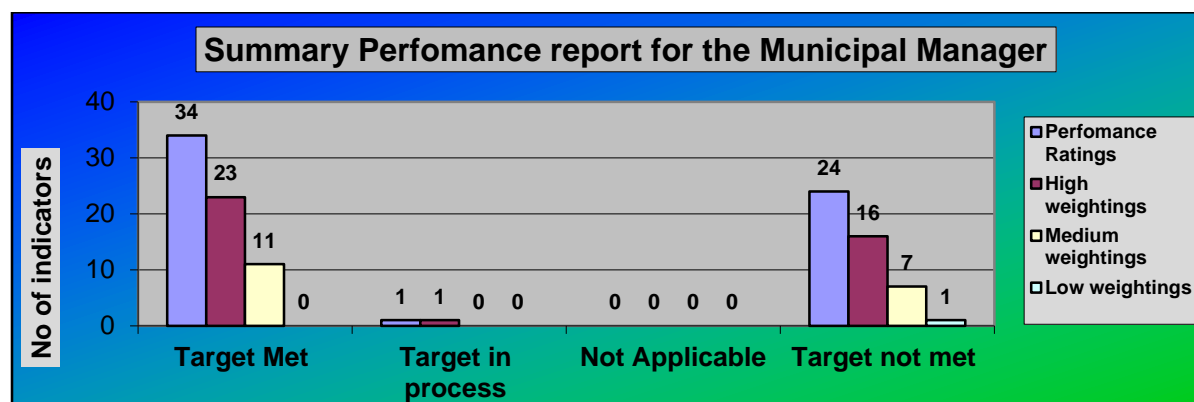
##### **RISK MANAGEMENT UNIT**

The Risk management Unit continues to monitor performance of effective risk management by updating risk management progress reports monthly, however it is reported quarterly to the Risk Committee and Audit Committee. The Risk Management Framework was reviewed and an awareness workshop held outlining the importance of the function of this unit. The Risk assessment process for the 2014/2015 financial year was finalised on the 19<sup>th</sup> May 2014.

##### **INTERNAL AUDIT UNIT**

The Internal unit conducted 22 assignments in the 2013/2014 financial year and final findings reports were submitted to all relevant departments and the audit committee with actions outlined. Strict timeframes to avoid repeat findings in future reports were also set. The Audit Committee submitted 3 reports to Exco based on the current financial year to ensure effectiveness and improvement with recommendations and suggestions.

Figure 2: Municipal Manager's scorecard



### 3.4.2 TECHNICAL SERVICES

As a Water Services Authority, Ilembe District Municipality has an overarching responsibility of providing water in the whole of iLembe District. This key responsibility is achieved through the Technical Services Department and for the year 2013/2014 the following results were achieved by the department against set and agreed targets in the area of water and sanitation provision service:

TOP LEVEL SUMMARY OF 2013/2014 HOUSEHOLD (hh) BENEFICIARIES			
	TOTAL NUMBER TARGETED	ACTUAL NUMBER SERVED	PERCENTAGE ACHIEVEMENT AGAINST TARGET
<b>WATER</b>	3 841	<b>857</b>	22%
<b>SANITATION</b>	3 528	<b>4270</b>	121%

#### HIGHLIGHTS ON ACTUAL PERFORMANCE AGAINST SET TARGETS

A total of **seven projects** were designed to deliver new water infrastructure in 2013/2014 financial year, of which three projects were targeted for water connections. **Two** projects with no targets allocated for water connections managed to connect **857** households. There was a further 246 households with upgraded water services for the Siza water Project's Shayamoya.

The **2012/2013** total households served with new water access was **2 549**, however the total for the **2013/2014** amounts to **1 103**. This has resulted to a decrease in water backlog by **0.68%** only.

The **2012/2013** figure for households served with basic sanitation (VIP toilets) access was **4 103**, however the total for the **2013/2014** amounts to **4 270**. Sanitation backlog has decreased by **2.68%**, compared to target of **2%**. Sanitation projects have exceeded target with an achievement of **121%**.

Blue drop risk rating of 37.94% was received from Department of Water Affairs (DWA) which means iLembe District is of lower risk. Green drop status overall score of 82.82% was achieved, which denotes good quality.

Services reinstated with 24 and 48 hours for water and sanitation queries are responded to timeously.

The job opportunities that were created through the expanded public works programme (EPWP) were 906 in the 2013/2014 financial year.

## **CHALLENGES**

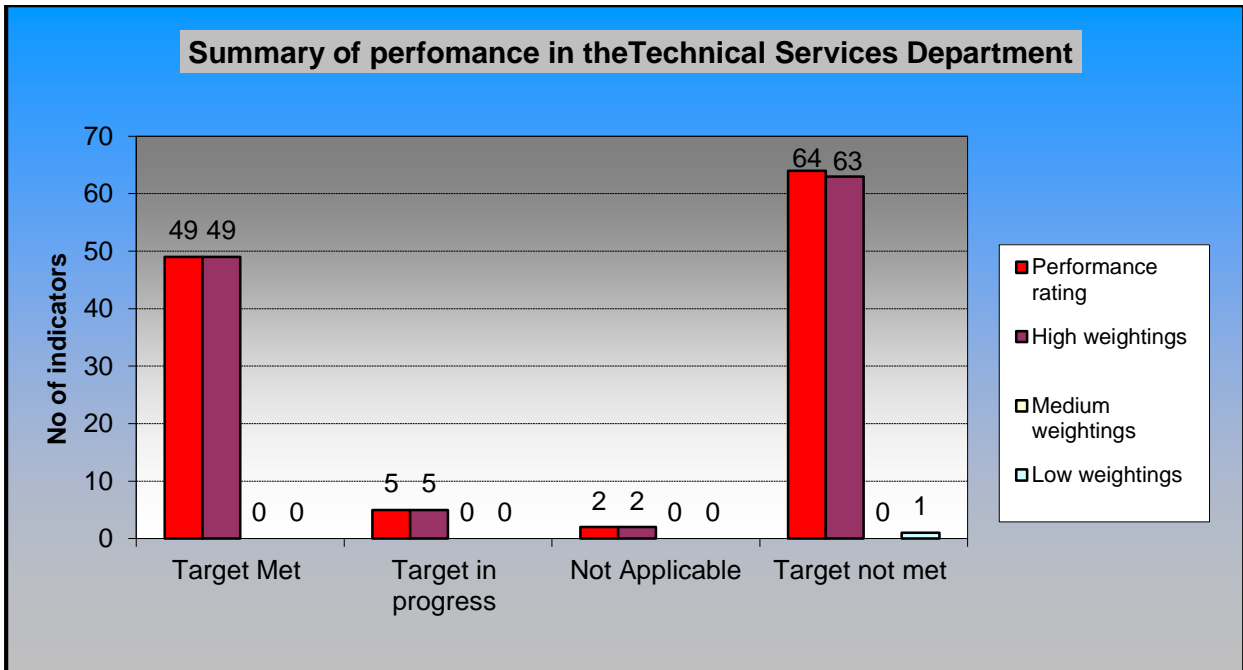
Seventy eight percent (78%) of targets for Water projects were not met due to the following reasons:

- Non-availability of water to do pressure testing on pipelines and to test the reservoirs;
- Delays due to hard rock excavation which required blasting with explosives as well as bad weather conditions and community strikes;
- Contractors had cash flow problems which resulted in them not being able to purchase material on time;
- Contractors underquoting the projects which led to cash flow constrains;
- Appointment of incompetent Contractors for projects also impacted on progress;
- Inexperienced personnel on sites and poor management of the Projects by the Contractors;
- Delays in awarding of projects caused some projects to commence late;
- Objections on tenders were received and four (4) were handed over to Provincial Treasury;
- Requests to upgrade borehole which was not part of original scope of project;
- Project at un-operational state due to a pump that collapsed ; and
- Line pressure testing that failed on numerous occasions;

## **MEASURES TO IMPROVE PERFORMANCE / CORRECTIVE MEASURES**

- The extension of time was granted to afford the Contractors to complete the projects.
- Contractors with cash flow problems had to cede projects.
- Work programmes to fast track the implementation of projects were done.
- The Contractors committed to work on weekends and also employ more staff.

**Figure 3: Summary of Technical Services Department Performance**



### 3.4.3 FINANCE DEPARTMENT

Ensuring that the District is financially viable and that all resources are properly utilised is one of the Ilembe district's strategic aims in the area of finance. The Finance Department team comprising of the Budget, Expenditure Management, Revenue Management, Supply Chain Management units has the responsibility to ensure sound and proper management of the Ilembe District's financial affairs.

#### HIGHLIGHTS ON ACTUAL PERFORMANCE AGAINST SET TARGETS

The municipality obtained an unqualified Auditor-General's report for the 2013/2014 financial year. The implementation and monitoring of Auditor-General's key controls was done through quarterly reporting towards the operation of a clean administration.

**Budget Unit**

The monthly financial reports were prepared in compliance with the year-end action plan. All statutory reports to Treasury have been submitted by deadline dates, and the 2014/2015 budget was approved on the 29<sup>th</sup> of May 2014.

**The Expenditure unit**

The percentage of creditors that receives their payment within the 30 days is 88%. Debt coverage ratio is 14:1, which indicates that the municipality is able to service its debt commitments due within the financial year under review.

**Revenue Unit**

Revenue collection rate is at 75% for the year 2013/2014 as compared to the previous financial year of 68%. The intelligent meter system project began in October 2013 and high risk debtors are being prioritized. The debt collection strategy was approved in January 2014 and implemented which resulted to the improvement from last year by 7%. The percentage of consumers paying in full against the number of consumers billed is 39%. The percentage of overdue accounts to be restricted that is submitted to the Technical services unit is 95%.

**Supply Chain Management Unit**

An annual procurement plan was implemented this year, with an actual of 85.71% implementation as of June 2014. The quotations for amounts of R30000 – R200 000 were averaging at a turnaround time of 10 days against the projected target 10 days and 3 days for the quotations of between R2000 – R29 999 against a target of 5 days. The bids were reported to be averaging at 142 days, this was due to the objections as well as insufficient budget for the fleet tender. Some of the projects were referred back to the Bid Evaluation Committee for reconsiderations. The contracts register is being updated on a monthly basis.

**Assets and Logistics Unit**

The asset verification is being done quarterly, and the asset register is being updated continuously on a monthly basis. To ensure proper management of the stores department, 11 stock takes were planned to be done but to date 10 stock takes have been conducted as of end June 2014 with a target of 14 days turnaround time to resolve variances.

**CHALLENGES****The Budget Unit**

The target of implementation and monitoring of Standard Operating Procedures (SOP's) was not met as 7 out of 9 reports were done. During December 2013 the majority of staff was on leave and April 2014 managers were busy with hard close so no reports were completed. Furthermore there was a shortage of staff in Budget & Compliance section. As of June 201, an underspending variance of - 41% was reported

for the Finance unit. This is due to austerity measures. However, none of the service delivery priorities were not implemented due austerity measures.

### **The Expenditure unit**

Delays are still being experienced in getting invoices from user departments after being verified and authorised by heads of departments on time. Cash flow management remains a major challenge. 8 days cash on hand was reported as at end of June 2014, which is not sufficient to sustain the operations of the municipality. The norm is to maintain 30 to 60 days cash on hand with 90 days cash on hand being an ideal position.

### **Revenue Unit**

There was a delay in the implementation of the intelligent meter project and some of the rand for rand and Acknowledgement of debt customers have defaulted. Most of debtors' accounts were recalled from the poor performing attorneys as part of the debt collection strategy.

### **Supply Chain Management Unit**

Technical Services had submitted projects on the procurement plan which were not approved by DWA therefore affecting the progress on the plan. Turnaround time to process bids took long (142 days) due to insufficient budget for Fleet tender. Some of the projects were referred back to Bid Evaluation Committee for reconsiderations and others were affected by objections.

### **Assets and Logistics Unit**

In July 2013, Finance was busy with year-end and in December 2013, the majority of staff was on leave as a result no stock take was done.

## **MEASURES TO IMPROVE PERFORMANCE/CORRECTIVE MEASURE**

### **Budget Unit**

In 2014/2015 work has been planned to allow compliance with the reporting requirements. All Accountants posts have been filled. To ensure adequate financial management, expenditure management is Council's focus and is on-going.

### **Expenditure unit**

A comprehensive strategy to improve the municipality's cash flow position is in place. This strategy encompasses reinforcing expenditure management and implementation of revenue strategy including the introduction of smart meters. The Budgeting model adopted for the ensuing and outer years, places strong emphasis on building cash reserves.

Management has also adopted a firm stance in ensuring that a percentage of revenue generated is set aside on a quarterly basis in the form of investment in order to build cash reserves. The process of automating flow of invoices between finance and user departments is at an advance stage of development. The system has already been installed and management is currently testing functionality of the system.

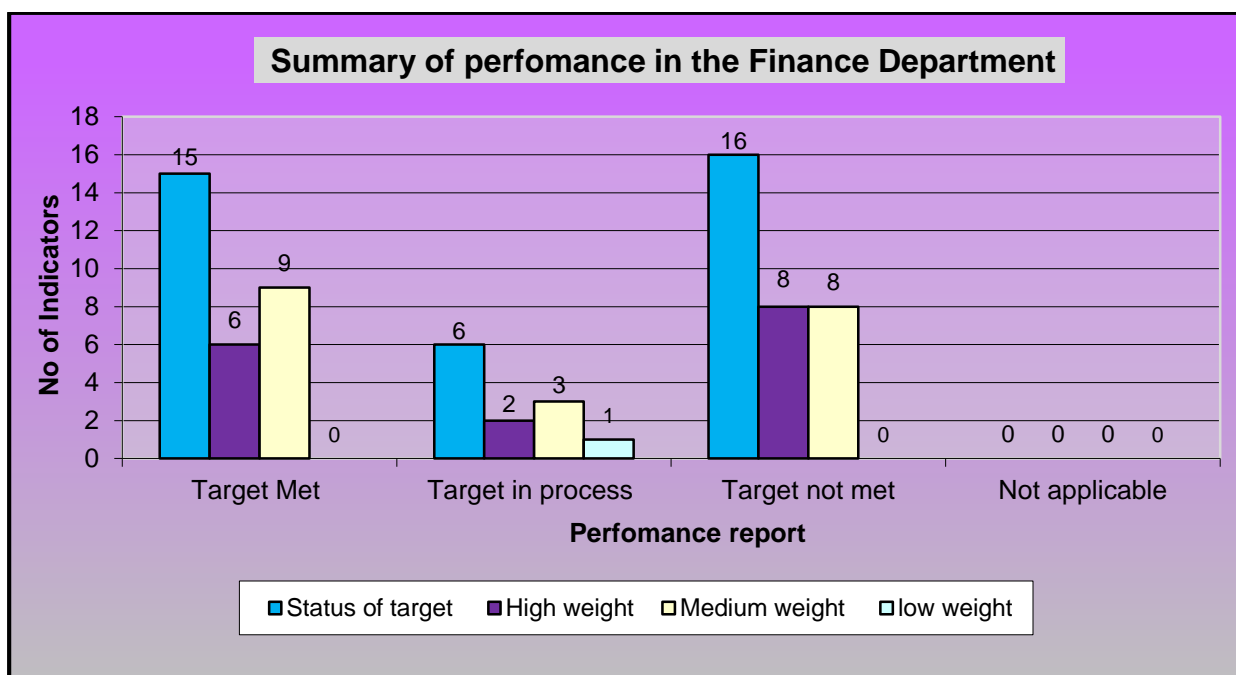
## Revenue Unit

For revenue enhancement, a new panel of debt collectors will be established in the 2014/2015 financial year.

## Supply Chain Management Unit

In the 2014/2015, the procurement plan will only include projects that have business plans and approved by Department of Water Affairs. To ensure regular update of the contract register, Supply Chain Management Unit is currently working with Assets and Technical services and in contact with user departments regarding the current progress on sites. Progress has been made on the contract register with regards to the expenditure to date on projects. This information will be updated on a monthly basis once progress reports are received from consultants as they reflect a breakdown on the costs incurred.

**Figure: Finance Department Performance**





### **3.4.4 CORPORATE SERVICES**

In terms of section 156 (Chapter 7) of the Constitution of the Republic of South Africa (1996), Districts' powers and functions, amongst others, include the Promotion of Gender Equity, Ensuring a safe and healthy environment, Performance Management and Incremental improvement of Service Delivery. The Corporate Services unit therefore enables the district to perform the aforementioned functions and is made up of the Human Resources, ICT, Legal Services and Council Support Services sub units.

#### **HIGHLIGHTS ON ACTUAL PERFORMANCE AGAINST SET TARGETS**

##### **HUMAN RESOURCE MANAGEMENT SUB UNIT**

- The HRD and vehicle policy were reviewed, with 77% implementation and monitoring;
- The percentage of employees trained in accordance with the workplace skills plan was at 140% against a target of 80%;
- 1.33% of the municipality budget was spent on Human Resources Development;
- A total of Forty eight (48) employees attended Adult Education and Training;
- A total of Thirty seven (37) staff received financial support to complete undergraduate degrees/diplomas;
- A total of twenty five (25) Councillors enrolled on various skills programme to build their capacity;
- The Workplace Skills Plan and Annual Training Report were submitted to LGSETA by deadline;
- Ninety percent (90%) of critical post were filled on the organogram ; and
- The Employee Wellness Unit conducted 11 awareness programmes against a target of 4.

##### **ICT UNIT**

- The Biometric Access Control System was installed at Umhlali Offices and Haysom Road,
- The PABX system to monitor and track telephone usage was also installed at Umhlali.
- The project plan for the Integrated Call Centre was approved and phase 1 completed.
- ICT policies were reviewed, updated and approved before deadline.

##### **LEGAL SERVICES UNIT**

- Percentage of legal cases resolved is at 100%, with an average of 6.18 days taken for drawing up and vetting legal documents.
- 100% of service level agreements are finalized within one month of request.

##### **SUPPORT SERVICES**

- Logistics for all EXCO, Council and Portfolio committee was at a 100% coordination together with accurate minute taking.
- The Fleet Management agreement for the leasing of vehicles has been signed as planned.

#### **ENVIRONMENTAL HEALTH & SAFETY UNIT**

- A total of 165 samples were analyzed as at end of June 2014 in line with the unit's responsibility to monitor water quality,
- A total of 558 sites were visited for vector control as at 30 June 2014;
- For food control, a total of 833 sites were inspected and there were no food borne illness/food poisoning outbreaks reported in the 2013/2014 financial year ;
- Processing of license applications for food handling premises is at a 100% and licenses are issues within the 14 days set timeframe;
- All building plans received were assessed within the 4 days set turnaround target; and
- A total of 164 Staff were trained on the promotion of a safe and healthy work environment, with 62 sites inspected in terms of unsafe working conditions and 62 reports compiled on remedial actions.

#### **CHALLENGES**

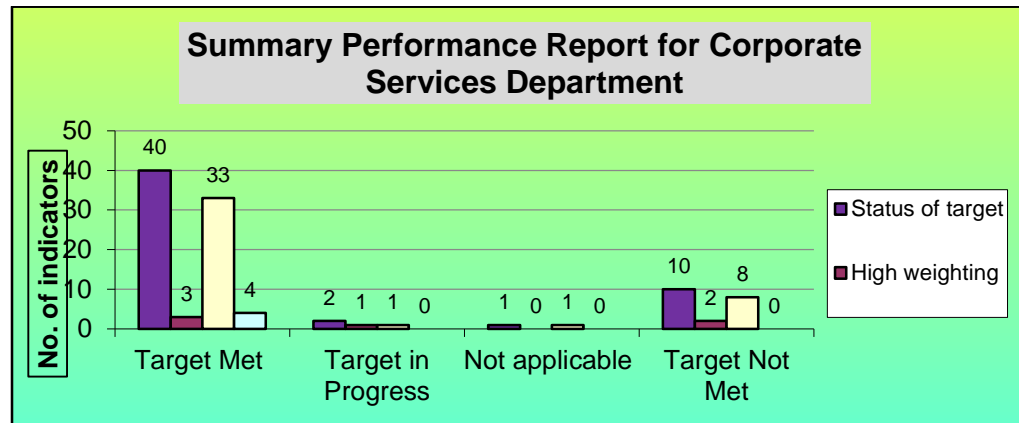
Funding was not received even though the LGSETA agreement has been signed, therefore full implementation of the HR policy was affected. There were repeat findings as per the 2012/2013 AG report for the ICT unit, due to the fact that some ICT policies not being reviewed and workshopped. Installation of the elevator was delayed due to the finalization of the SCM processes as per S32 of the SCM policy had to be complied with. A total of twenty four (24) malaria cases were reported in the 2013/2014 financial year and 46.16% of unsatisfactory water samples were reported also.

#### **MEASURES TO IMPROVE PERFORMANCE/CORRECTIVE MEASURE**

As at the 33 June 2014 , ICT policies had been reviewed, IT DRP policy to be workshopped at Council.

As at 30 June 2014, quotations had been received for the installation of the elevator and bids will be invited in the new financial year to conclude the project. All malaria cases were investigated and families were rendered with health education and continuous awareness programmes are being done so that the community is more aware of health & safety. All unsatisfactory water samples were reported to the Water Services Authority for ratification.

Figure: Corporate Services Department performance



### 3.4.5 CORPORATE GOVERNANCE

The Corporate Governance unit is made up of the Corporate Communications, Disaster Risk Management and the Special Programmes sub units. These sub units enable the District to deliver on the five objects local government as stipulated in Section 152, Chapter 7 of the Constitution of the Republic of South Africa (1996). These objects are a) the provision of a democratic and accountable government for local communities; b) ensuring the provision of services to the communities in a sustainable manner ; c) promotion of social and economic development ,d) promotion of a safe and healthy environment and lastly, e) encouraging involvement of the communities and community organisations in the matters of local government.

#### HIGHLIGHTS ON ACTUAL PERFORMANCE AGAINST SET TARGETS

- The ILembe District Municipality annual report was completed and adopted by Council on the 31 January 2014 in line with legislative requirements and submitted to all relevant stakeholders.
- Heritage celebrations were successfully hosted with an actual of 5 for this financial year as compared to 4 in the previous financial year 2012/2013.

### **Corporate Communication Unit**

- The customer satisfaction and communication strategy were reviewed by end June 2014 as planned;
- In terms of effective public awareness on municipal business through information dissemination the unit exceeded the target by achieving 8 mayoral radio slots against the set target of 4;
- Fifty five (55) advertorials were put in the print media against the set target of 3;
- A further 2 municipal newsletters were compiled, published and distributed throughout the ILembe district;
- A total of 68 Public participation meetings were held, which included community engagement, feedback sessions regarding the budget and performance management as well as the IDP Izimbizo; and
- Promotion of IGR within the district has improved greatly with sub forums being fully functional and reporting to the District Intergovernmental Forum every quarter.

### **Disaster Risk Management Unit,**

- The emergency relief aid continues to be maintained at a 100% of incidents responded to;
- Forty (40) Disaster Management awareness campaigns were held within the district;
- A total of twenty four (24) Disaster Management capacity building sessions hosted by the district for various key stakeholders in the 2013/2014 financial year;
- The disaster management framework was reviewed as well as the Level1 Plan with regards to disaster risk reduction;
- Ward based risk Assessments were conducted and risk maps generated for the whole district;
- The Disaster Climate Change summit was hosted on the 4 & 5 June 2014 and a close out report was done outlining the outcome and resolutions that would guide the District's approach going forward.

### **Corporate Governance/Special Programmes Unit**

- With the HIV / Aids and TB being the leading causes of deaths in the ILembe District, the Corporate Governance unit held a total of 9 HIV/Aids awareness campaigns and facilitated the annual International World Aids Day commemoration;
- As per the approved gender plan, 39 programmes were implemented against a target of 16 for the vulnerable groups such as women, children, the elderly and person with disabilities.
- A total of thirty three (33) programmes were delivered for the ILembe District Youth in 2013/2014 and more than eight hundred and seventy two (872) youth benefitted.
- A total of twenty (20) interventions were delivered for the most poor and vulnerable segments of iLembe society in all four (4) local municipalities within the auspices of Operation Sukuma Sakhe.

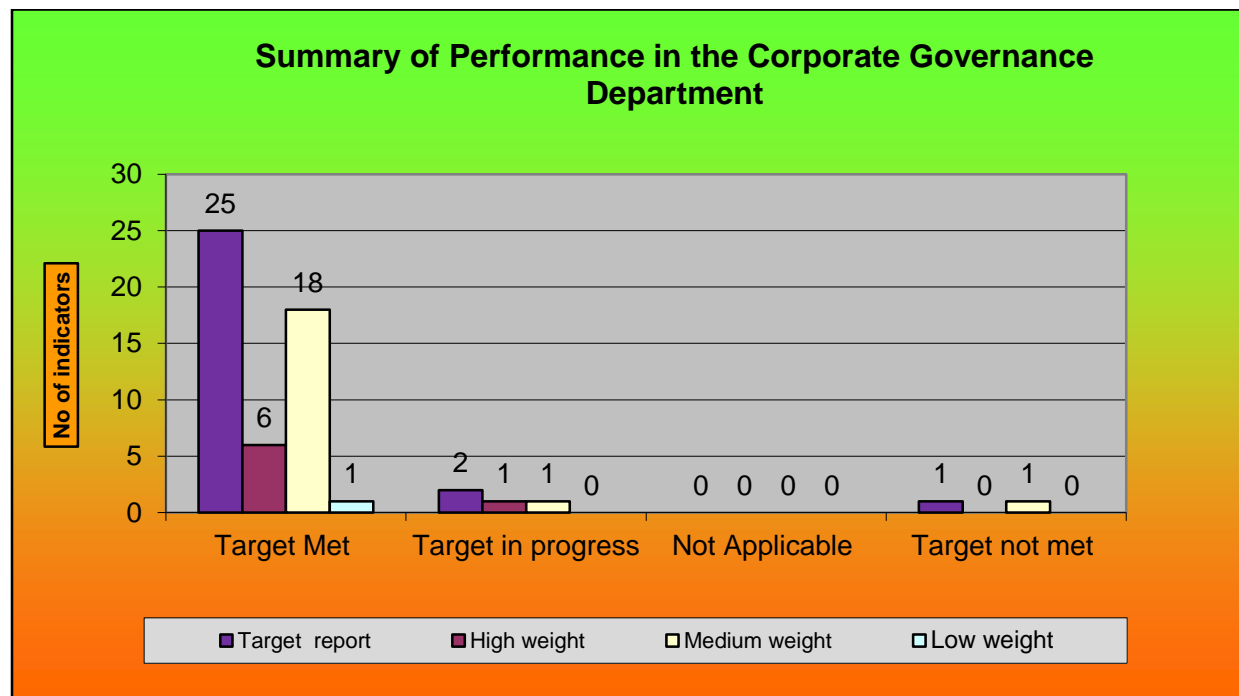
## CHALLENGES

The relocation and testing of the Communication system could not be done, as it is dependent on the electrification of the disaster management Centre, there is an issue on the electricity installation.

## MEASURES TO IMPROVE PERFORMANCE

The relevant documentation has been submitted to the responsible stakeholders for ensuring the electricity installation is done at the Centre and continuous follow ups are being made in order to fast track the process.

**Figure: Corporate Governance Department performance**



### **3.4.6 MUNICIPAL ENTITY – ENTERPRISE ILEMBE**

In terms of section 93B of the Municipal Systems Act, the parent municipality must ensure that the performance objectives and indicators for the municipal entity are established by agreement with the entity and included in the municipal entity's multi-year business plan in accordance with section 87 (5) (d) of the MFMA. It is for this reason that the report for the Enterprise iLembe has been included in the annual performance report.

#### **HIGHLIGHTS ON ACTUAL PERFORMANCE**

- The Entity has developed a 3 -5 year strategic plan for the national Schools Nutrition Programme;
- A total of 5 co-ops has been phased out of the farmers support programme this was done to ensure long term sustainability of the Schools nutrition programme;
- Twelve co-operatives were registered which will assist in increasing new job opportunities;
- Feasibility studies for entry into new economic sector were approved for 3, namely Hydro/Solar, Biomass and Tourism;
- For trade and investment promotion, one (1) intelligent report was developed and two (2) progress reports submitted on the entrepreneur competition for this financial year;
- In terms of tourism, marketing and promotions , six (6) exhibitions were attended, one (1) official tourism travel guide was developed, three (3) adverts/advertorials were in relevant publications and three (3) support events namely Dolphin Ultra walk, Hlomendlini and iBeach Festival were presented by the entity to assist in increasing visitors to the District;
- The percentage of employees trained was 22% against a target of 10%.
- A total of 6 board meetings were held to ensure effectiveness of the Board.
- All monthly financial and performance information was submitted timeously to the District.

#### **CHALLENGES**

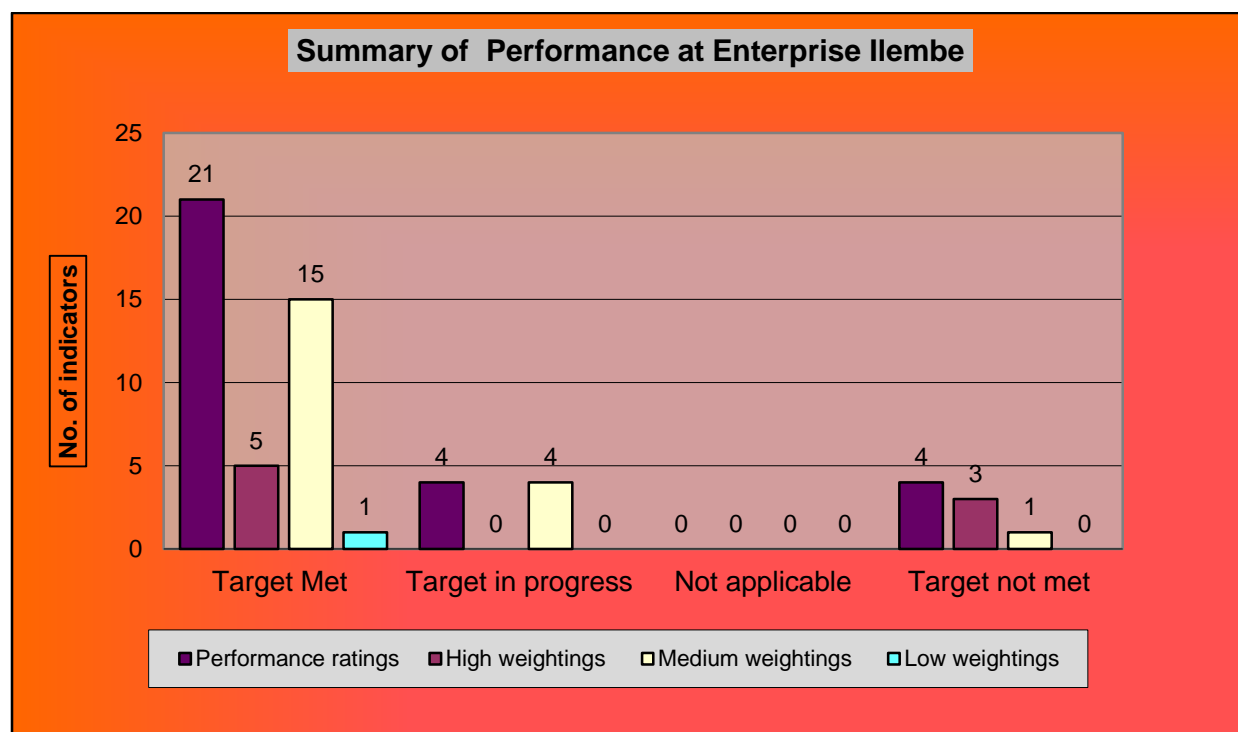
All posts could not be filled on the organogram, as the organogram was reviewed and had to be approved by the board, timeframes were an issue.

#### **MEASURES TO IMPROVE PERFORMANCE**

All posts have been planned to be filled in the 1<sup>st</sup> quarter of the next financial year.

The detailed report is attached as part of the annexure, however the summary of achievements is illustrated in the figure below:-

**Figure: Enterprise iLembe performance**



**Weightings on Enterprise iLembe indicators:**

Key Performance Indicators	High weight	Medium weight	Low weight	Total
Target met	5	15	1	21
Target in progress	0	4	0	4
Target not met	3	1	0	4
Not Applicable	0	0	0	0

<b>TOTAL</b>	<b>29</b>
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#### **3.4.7. ORGANISATIONAL SERVICE DELIVERY & BUDGET IMPLEMENTATION PLAN (SDBIP)**

ILembe's Organisational Scorecard continues to be organised according to the five prescribed national Key Performance Areas (KPA's). These are:

- ❖ Basic Service Delivery
- ❖ Socio-Economic Services
- ❖ Institutional Transformation & Development.
- ❖ Financial Viability & Management
- ❖ Good Governance & Public Participation



Organisational Scorecard 2013/2014 SDBIP - Annual Report																		
OUTCOM E 9	NATIONAL KPA's	IDP OBJECTIVE	KPA	BACKLOG	BASELINE	KPI's	UNIT OF MEASURE	ANNUAL TARGET 2012/2013	ANNUAL ACTUAL 2012/2013	ANNUAL TARGET 2013/2014	ANNUAL ACTUAL 2013/2014	REASON FOR VARIANCE/ COMMENTS	CORRECTIVE MEASURE	PMS COMMENTS	EVIDENCE REF NUMBER	EVIDENCE	WEIGHTINGS	RESPONSIBL E DEPARTMENT
Improved access to basic services	Basic Service Delivery	Improve access to basic water services	Water Projects	38 320	2549hh	Number of new hh with access to water	Number	9452hh (was 8673hh)	2549hh	3841hh (was 4332hh)	857hh				1	Y	H	Technical Services Department
		Improve access to basic water services	Water backlog eradication	24%	25,60%	Percentage decrease in backlog eradication	Percentage	22,00%	25,60%	5% (was 17%)	0,68%	Delays in awarding of projects caused projects to commence late on site		Need CM	2	Y	H	Technical Services Department
		Improve access to basic sanitation services	Sanitation Projects	44 188	4103hh	Number of new hh with access to sanitation	Number	3812hh (was 3800hh)	4103hh	3528hh	4270hh				3	Y	H	Technical Services Department
		Improve access to basic sanitation services	Sanitation backlog eradication	28%	27,60%	Percentage decrease in backlog eradication	Percentage	28,00%	27,60%	2% (was 26%)	2,68%				4	Y	H	Technical Services Department
		Improve access to basic water services	Water Projects Expenditure	N/A	R157,133,547.33	Rand Value of expenditure - Water	Rand value	R226,600,000 (was R208,605,350)	R 223,409,640,87	R184,351,171 (was R210,263,160)	R 185 937 985,00				5	Y	H	Technical Services Department
		Improve access to basic sanitation services	Sanitation Projects Expenditure	N/A	R35,164,154.89	Rand Value of expenditure - Sanitation	Rand value	R39,200,000 (was R33,662,650)	R 47 673 749,03	R72,297,369 (was R75,560,527)	R 64 237 001,85				6	Y	H	Technical Services Department
		Improve access to basic water and sanitation services	Refurbishment	N/A	a) 100% b) R26,894,962	a) Percentage Progress in the implementation of repairs & maintenance plan b) Expenditure	Percentage and number	a) 100% b) R29,983,296 (was R19,983,000)	a) 100% b) R 26 894 962	a) 100% b) R25,254,440 (was R15,770,000)	a) 91.43% b) R 23 743 386				7	Y - Ref TS 42	H	Technical Services Department
		Monitor Siza Water concession contract	Siza Water Plan	N/A	Siza Water Contract signed	Draft 5 year review plan by deadline	Date	June 2013	Siza water contract is signed.	30 June 2014	Draft Done	Is ready but ongoing as a working document			8		H	Technical Services Department
		To improve the level of financial utilisation non-wasteful but for specified projects	Capital Expenditure	N/A	97%	Percentage of municipalitys annual capital budget spent on agreed IDP projects	Percentage	100%	97%	100%	80%			Need RFV & CM	9	Y	H	Technical Services Department
		Improve response time to water and sanitation interruptions	ILembe DM specific Water Infrastructure	N/A	98% within 48hrs	Percentage of reported households responded with services reinstated within 48 hours on water	Percentage	98% within 48 hours	98%	100% within 48 hours	100%				10	Y	H	Technical Services Department
		Improve response time to water and sanitation interruptions	ILembe DM specific Sanitation Infrastructure	N/A	100% within 24hrs	Percentage of reported households responded with services reinstated within 24 hours on sanitation	Percentage	100% within 24 hours	100%	100% within 24 hours	100%				11	Y	H	Technical Services Department
		To provide excellent water quality that will meet or exceed tha National Standards	Green drop status	N/A	New measure	Final assessments conducted for 2013/2014 FY for Green drop status by deadline	Date	85,00%	Awaiting results from DWA.	By end June 2014	Results received 04 July 2014. Overall score of 82.82 denoting	denoting good quality			12	Y	H	Technical Services Department
		To provide excellent water quality that will meet or exceed tha National Standards	Blue drop status	N/A	New measure	Final assessments conducted for 2013/2014 FY for Blue drop status by deadline	Date	Maintain 95,38%	Awaiting results from DWA.	By end June 2014	Results received 04 July 2014. Overall score of 37.94 Risk Rating	Rating which means our Blue Drop is of lower risk			13	Y	H	Technical Services Department
		To improve the level of financial utilisation non-wasteful but for specified	Repairs & Maintenance	N/A	6.3%	% operational budget spent on repairs and Maintenance	Percentage	9% (was 10%)	6.3%	10%	9%			Need RFV & CM	14	Y	H	Technical Services Department
Improved Municipal Financial & Administrative Capabilities	Financial Viability and Management	To ensure effective management of budgeting process (realistic & credible)	Comple Budget for 2014/2015	N/A	29 May 2013	Approved fully funded Operating & Capital Budget for 2014/2015 by deadline	Date	30 June 2013	29 May 2013	30 June 2014	29 May 2014				15	Y	H	Finance Department
		To achieve a clean audit	Obtain Clean Audit for 2012/13	N/A	a) Unqualified audit report b) 56% c) 3	a) Clean audit report by the AG for 2012/13 b) % decrease in AGs findings c) No repeat findings	a) AG Report b) Percentage c) Number	a) Unqualified audit report by the AG for 2011/12 b) 25% (excluding disputed findings) c) 0	a) Unqualified audit report b) 56% (excluding disputed findings) c) 3	a) Clean audit report by the AG for 2012/13 b) 25% c) 0	a) Unqualified Audit with other matters b) 0% c) 0	a) Material adjustment to AFS due reasons for derecognition of assets being provided during the audit. b) 3 of the 10 findings are disputed making the decrease in audit findings 30% c) Awards to people in service of the state is beyond the municipality's control, circular 62 has been complied with.	a) Technical Services has committed to work closely with finance to deal timeously with asset management issues b) The audit team has been changed for the 2013/2014 audit, hopefully this will address the differences in GRAP and policy interpretations c) Continue to comply with circular 62 until National Treasury finds a system to deal with this issue	a) Y b) Y c) Y	H	Finance Department		
		To ensure long-term financial viability and sustainability of ILembe District Municipality.	Capital Expenditure	N/A	100%	% quarterly capital expenditure as of planned expenditure (Actual capex/budgeted capex) x100	Percentage	100%	97%	100%	96%			Need RFV & CM	17	Y	M	Finance Department

Improved Municipal Financial & Administrative Capabilities	Financial Viability and Management	To ensure long-term financial viability and sustainability of Lembe District Municipality.	Operational Expenditure	N/A	100%	% quarterly operational expenditure as of planned expenditure ( <i>Actual opex /budgeted opex</i> ) x100	Percentage	100%	96%	100%	89%			Need RFV & CM	18	Y	M	Finance Department
		To raise monthly collection rate on billings	Revenue Collection Rate	N/A	a) 68% b) 40%	a) Percentage collection rate b) Percentage increase in the proportion of consumers paying in full vs the number of consumers billed	Percentage	a) 80% b) 40%	a) 68% b) 40%	a) 85% b) 45%	a) 75% b) 39%	a) There was a delay in the implementation of the intelligent meter project b) some of the rand for rand and AOD customers have defaulted	Intelligent meter project began in October and high risk debtors are being prioritised and the debt collection strategy that was approved in January 2014 is now being implemented hence the improvement of 7% from the prior year.		19	a) Y b) Y	H	Finance Department
		To ensure compliance with SCM policy & regulations	Procurement time in the line with the SCM Policy	N/A	a) 8.9 days b) 4.35 days	a) Turnaround time for the SCM processes in recommending preferred bidders to Departments (quotations, adverts etc) (Between R30 000 & R200 000) b) Turnaround time for the SCM processes in recommending preferred bidders to Departments (quotations, adverts etc) (Between R2000 and R29 999)	Number of days	a) 10 days b) 4.35 days	a) 8.9 days b) 4.35 days	a) 10 days b) 5 days	a) 10 days b) 3 days				20	a) Y b) Y	H	Finance Department
		To ensure compliance with SCM policy & regulations	Compliance with the SCM Policy	N/A	115 days	a) Turnaround time for processing all the bids	Number	a) 63 days b) 90 days	a) 115 days b) 157 days	120 days (was 90 days)	142 days	Budget was insufficient for Fleet tender. Some of the projects were referred back to BEC for reconsiderations and others were affected by objections.			21	Y	H	Finance Department
		To ensure long-term financial viability and sustainability of Lembe District Municipality.	Payment of creditors	N/A	89%	% of claims with no outstanding issues submitted to Finance paid within 30 days	Percentage	100%	89%	100%	88%	While there are still a few instances where delays in getting back invoices from user departments after being signed were noted, for most of the invoices paid beyond 30 day period, there were legitimate reasons to hold back those invoices.	The process of automating flow of invoices between finance and user departments is at an advance stage of development. Management is currently evaluating the proposal to implement this project. Once fully automated it will become more efficient to monitor this process and address problem areas more quicker.		22	Y	H	Finance Department
		To ensure long-term financial viability and sustainability of Lembe District Municipality.	Statutory reports	N/A	Monthly	Percentage of monthly reports that are submitted by the 14th of each month	Percentage	100%	All report submitted by deadline	100%	All reports submitted by deadline				23	Y	M	Finance Department
Differentiated approach to Municipal financing, planning & support	Institutional Transformation and Development	To have an updated, approved and populated organogram in all critical need areas of the IDP	Well resourced management capacity (Organogram)	N/A	82%	Percentage of critical posts filled on the organogram	Percentage	90%	82%	85%	90%				24	Y	H	Corporate Services
		To ensure full compliance with the Employment Equity Act within Lembe District Municipality	Employment Equity	N/A	20	Number of people from employment equity target groups employed in the three highest levels of management in compliance with the municipality's approved employment equity plan	Number	22	20	20	6	The target is unrealistic as the municipality may not appoint 20 managers from the three highest level in one financial year.	The annual target will be reviewed in the new financial year.		25	Y	M	Corporate Services
		To ensure that conflicts within the municipality are resolved in line with relevant Labour Relations legislations	Legal matters	N/A	100%	% increase in the total number of legal cases that are resolved (excluding cases which become the subject of contested litigation)	Percentage	100%	100%	100%	100%				26	Y	H	Corporate Services
		Ensure sufficient budget that complies with the provision of the Skills Development Act (Levy Act)	Implementation of a workplace skills plan	N/A	1,28%	Percentage municipality's budget spent on implementing the approved WSP	%	2,00%	1,28%	1%	1,3%	Total expenditure included Municipal budget & LGSETA grant funding			27	Y	M	Corporate Services
		To promote an institution that is representative, participative and empowered to improve the institutional capabilities for service delivery.	Implementation & reporting on training programmes	N/A	25 June 2013	WSP & ATR compiled by deadline	Date	WSP & ATR submitted to LGSETA by 30 June 2013	WSP & ATR & PIVOT reports submitted to LGSETA by 25 June 2013	WSP & ATR to LGSETA by 30 June 2014	WSP & ATR Submitted to LGSETA on 30 April 2014.				28	Y	M	Corporate Services
		A District complying with Disaster Management Legislation	Disaster Management Communication System	N/A	New measure	Relocation and Testing of the Disaster Management Communication system by deadline	Date	New measure	New measure	30 June 2014	Relocation and testing of the Communication System not done, as it is dependent on the electrification in the Disaster Management Centre.	The target has not been achieved due to the outstanding issue of electricity installation at the Disaster Management Centre. Relocation and Testing of the System will only be done once the Centre has been electrified.	The Architect has submitted Building Plans for approval by KwaDukuza Local Municipality. Regular follow ups are done with the Architect and Singathat Consulting in ensuring that the matter is fastracked. The issue was also elevated to the MM's Forum with KwaDukuza MM making a commitment to assist to speedily resolve outstanding issues.		29	Y	M	Corporate Governance
Community work programme implemented & cooperative supported	Socio Economic Services	A District complying with Disaster Management Legislation	Emergency Relief Aid	N/A	100%	Percentage of incidents responded to	%	Maintain 100%	100%	100%	100%				30	Y	H	Corporate Governance

Community work programme implemented & cooperative supported	Socio Economic Services	To ensure that statutory requirements controlling occupational health & environmental health services are enforced minimising risks in the work place, community and promoting a safe and healthy environment	Occupational Health & Safety	N/A	a) 146 b) New measure c) New measure	a) Number of staff trained b) Number of sites inspected in terms of unsafe working conditions c) Number of reports compiled on sites inspected for remedial action	Number	a) 100 b) New Measure c) New Measure	a) 146 b) New Measure b) New Measure	a) 120 b) 60 c) 4	a) 164 b) 62 c) 62			31	a) Y b) Y c) Y	M	Corporate Services
		To provide appropriate environment and facilities for the provision of Social Services.	Water Quality Monitoring and Analysis	N/A	a) 147 b) 100%	a) Number of samples taken and analysed b) Percentage of unsatisfactory samples reported and rectified	Number & %	a) 144 b) 100%	a) 147 b) 100%	a) 156 b) 0%	a) 165 b) 46,16%			32	a) Y b) Y	M	Corporate Services
		To facilitate and stimulate economic growth in the District	Expanded Public Works Programme	N/A	1023	Number of job opportunities created through water infrastructure & service delivery efforts	Number	1000	1023	1000	906	A number of projects were not awarded on time		33	Y	H	Technical Services Department
		To facilitate and stimulate economic growth in the District	Local Economic Development (School Nutrition Programme)	N/A	18	Increase in Number of new Open Fields Projects	Rand value	New measure	New measure	22 new farms	28 new farms			34	Y	H	Enterprise iLembe
		To facilitate and stimulate economic growth in the District	Local Economic Development	N/A	New measure	Number of co-operatives registered to increase new job opportunities	Number	New measure	New measure	4	12			35	Y	H	Enterprise iLembe
		To facilitate and stimulate economic growth in the District	Local Economic Development	N/A	New measure	Number of Feasibility Studies for entry into economic sector approved by deadline	Date & Number	New measure	New measure	2 by end June 2014	3			36	Y	M	Enterprise iLembe
Deepened democracy through a refined ward committee system	Good Governance & Public Participation	To improve the accountability & transparency through credible information from the IDP to the Public	Annual Municipal Performance Report	N/A	31 August 2012	2012/13 AMPR done by iLembe PMS Unit by deadline	Date	Aug-12	Submitted 31 August 2012	August 2013	30 August 2013			37	Y	H	Office of MM
		To improve the accountability & transparency through credible information from the IDP to the Public	Performance Management Systems Framework	N/A	25 June 2013	Review and approval of Performance Management Systems Framework by deadline	Date	Jun-13	25 June 2013	June 2014	27 May 2014			38	Y	M	Office of MM
		Compliance & good governance	Preparation of an Annual Report	N/A	30 January 2013	Annual Report adopted by deadline	Date	31 January 2013	30 January 2013	31 January 2014	30 January 2014			39	Y	H	Corporate Governance
		To ensure well established systems (model) and processes that will facilitate the deepening of democracy through ward committees	Public Participation	N/A	32	Number of Public Participation meetings held	Number	30	32	32 (was 20)	68			40	Y	H	Corporate Governance
		To align provincial, district and local plans addressing designated groups	Special Projects (Youth)	N/A	a) 16 b) 425	a) Number of programmes implemented as per the approved youth plan b) Number of youths benefitting from programmes implemented	Number	a) 12 programmes b) 100	a) 16 b) 425	a) 14 b) 600 (was 120)	a) 33 b) 872			41	a) Y b) Y	M	Corporate Governance
		To improve the alignment of all sector plans and service delivery	Promote Intergovernmental Relations	N/A	36	Number of IGR meetings held within District	Number	8	36	4	46			42	Y	M	Corporate Governance
		To improve the accountability & transparency through credible information from the IDP to the Public	Annual IDP Review	N/A	29 May 2013	IDP Review & adoption by deadline	Date	2013/2014 IDP adopted by June 2013	IDP Approved by 29 May 2013	2014/2015 IDP adopted by June 2013	2014/15 IDP adopted on 29 May 2014.			43	Y	H	Office of MM
		To improve the accountability & transparency through credible information from the IDP to the Public	Internal Audit	N/A	23	Number of audit assignments completed by deadline	Number	21	23	21	22			44	Y	H	Office of MM
		To improve the accountability & transparency through credible information from the IDP to the Public	Risk Management	N/A	17 April 2013	Review Enterprise Risk Management Framework by deadline	Date	New Measure	New Measure	30 June 2014	31 May 2014	The Risk committee was not able to sit and the meeting is scheduled for 14 July 2014 where the framework and policy will be noted and then tabled at Executive Committee on 22 July 2014.		45	Y	H	Office of MM
		To improve the accountability & transparency through credible information from the IDP to the Public	Risk Management	N/A	Assessment process finalised in May & June 2013	Risk assessment process for the 2014/15 finalised by deadline	Date	June 2013	Assessment process finalised in May & June 2013	30 June 2014	Risk Assessment was finalised on the 19th May 2014.	The draft report was finalised before year end. The Risk committee was not able to sit and the meeting is scheduled for 14 July 2014 where Draft report will be noted and then tabled at Executive committee on 22 July 2014.		46	Y	H	Office of MM

Deepened democracy through a refined ward committee system	Good Governance & Public Participation	All IDM Strategic objectives	Monitoring performance of effective enterprise risk management	N/A	a) New Measure b) New Measure	a) Number of risk registers updated b) Number of ethics/Risk Committee meetings held	Number	a) New Measure b) New Measure	a) New Measure b) New Measure	a) 4 b) 4	a) 4 b) 4	a) Risk register is updated on a monthly basis, but we report on a quarterly basis to the Risk Committee and Audit Committee.  b)Two Risk Committee meetings were held for the 1st and 2nd quarter. There was a suggestion by the Municipal Manager to dissolve the Risk Committee hence there was no Risk Committee meeting on the 3rd quarter. The 3rd quarter monitoring report was then noted by MANCO and Audit Committee . Audit Committee and Acting MM recommended for Risk Committee to continue and the committee is due to sit for the 4th quarter on 14 July			47	a) Y b) Y	H	Office of MM																																				
		To improve the accountability & transparency through credible information from the IDP to the Public	Internal Audit	N/A	3	Number of report from Internal Auditors to Audit Committee to ensure effectiveness of the Unit	Number	4	3	4	3	No report were sent in November due to unavailability of the manager		Only Agenda submitted as evidence	48	Y	H	Office of MM																																				
		To improve the accountability & transparency through credible information from the IDP to the Public	Audit Committee	N/A	1	Number of report from Audit Committee to ExCo to ensure effectiveness of the committee	Number	2	1	2	3				49	Y	H	Office of MM																																				
<table><tr><th colspan="5">PERFORMANCE SYMBOLS</th><th colspan="4">WEITHGING SYMBOLS</th></tr><tr><th>TARGET MET</th><th>IN PROGRESS</th><th>NOT MET</th><th>N/A</th><th>TOTAL</th><th>HIGH</th><th>MEDIUM</th><th>LOW</th><th>TOTAL</th></tr><tr><td></td><td></td><td></td><td></td><td></td><td>H</td><td>M</td><td>L</td><td></td></tr><tr><td>39</td><td>1</td><td>19</td><td>0</td><td>59</td><td>42</td><td>17</td><td>0</td><td>59</td></tr></table>																			PERFORMANCE SYMBOLS					WEITHGING SYMBOLS				TARGET MET	IN PROGRESS	NOT MET	N/A	TOTAL	HIGH	MEDIUM	LOW	TOTAL						H	M	L		39	1	19	0	59	42	17	0	59
PERFORMANCE SYMBOLS					WEITHGING SYMBOLS																																																	
TARGET MET	IN PROGRESS	NOT MET	N/A	TOTAL	HIGH	MEDIUM	LOW	TOTAL																																														
					H	M	L																																															
39	1	19	0	59	42	17	0	59																																														

### **3.5. PERFORMANCE OF SERVICE PROVIDERS**

The Accounting Officer has a responsibility to establish and implement an effective system of logistics management, which must include the monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.

In the execution of its service delivery responsibilities, the Municipality has to regularly appoint qualifying contractors or service providers for the implementation of its projects and supply of goods and services.

This brings about the need to ensure that these contracted service providers provide the required goods or services in terms of the agreed upon standards or specifications. This function is performed in terms of the provisions of Section 116 of the MFMA (Act No. 56 of 2003) and section 39(g) of the IDM SCM policy.

The Contract Management Section of the SCM Unit in conjunction with the relevant Project Managers is responsible for the monitoring of all service providers and contractors' performance. The successful implementation of projects will eventually yield to the realization of goals and targets as indicated in the Municipality's IDP and SDBIP. The focus is on compliance with all applicable legislations in the appointment of contractors and subsequently the compliance with all contractual obligations to ensure value for money to the Council.

#### **5.1 CONTRACTS AS PER THE CONTRACT REGISTER**

According to the contract register, a total of one hundred and sixteen (116) contracts were secured by the Municipality in terms of the competitive bidding process as well as Section 32 of the SCM Regulations. Out of 116, 45 contractors including those that were engaged with the municipality in the previous financial years are still in the process of completing projects. Details are as follows:

<b>FINANCIAL YEAR</b> (In which the contract was entered into.)	<b>DEPARTMENT</b>	<b>NUMBER OF PROJECTS</b>
2013/14	Corporate Services	07
	Corporate Governance	02
	Technical Services	22
	Finance	-
	Office of The MM	02
2012/13	Corporate Services	01
	Corporate Governance	04
	Technical Services	23
	Finance	03
	Office of The MM	-
2011/12	Corporate Services	02
	Corporate Governance	01
	Technical Services	18
	Finance	-
	Office of The MM	02
2010/11	Corporate Services	-
	Corporate Governance	01
	Technical Services	12
	Finance	02
	Office of The MM	-
2009/10	Corporate Services	00
	Corporate Governance	00
	Technical Services	13
	Finance	01
	Office of The MM	00

The performance ratings of service providers are as follows:

SERVICE PROVIDER PERFORMANCE REPORT															
2012/2013 PERFORMANCE RATINGS									2013/2014 PERFORMANCE RATINGS						
COMPANY NAME	EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED		EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED
TECHNICAL SERVICES															
BLACK BALANCE							√					√			
ROYAL HASKONING DHV							√					√			
IBHONGO CONSULTING							√					√			
SIVEST							√						√		
MASITHU CONSULTING							√				√				
ZIYANDA CONSULTING							√					√			
MSW CONSULTING							√					√			

ZAI CONSULTING							√					√				
MVULA TRUST											√					
SERVICE PROVIDER PERFORMANCE REPORT																
2012/2013 PERFORMANCE RATINGS									2013/2014 PERFORMANCE RATINGS							
COMPANY NAME	EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED		EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED	
LINDA MASINGA							√				√					
JOAT CONSULTING							√				√					
HATCH GOBA							√				√					
MADAN SINGH CONSULTING							√				√					
ESOR FRANKI							√		√							
EAST COAST IRRIGATION							√						√			
AFROSTRUCTURES		√								√						
R & B PIPELINES		√								√						



ASPHALT CONSTRUCTION		√							√					
HIDROTECH INFRA							√		√					
HT CIVILS							√		√					
SUNSET BEACH TRADING									√					
NORTH COAST WATER RETICULATION									√					

SERVICE PROVIDER PERFORMANCE REPORT															
2012/2013 PERFORMANCE RATINGS									2013/2014 PERFORMANCE RATINGS						
COMPANY NAME	EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED		EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED
UNICON CONSTRUCTION						√					√				
FIRST WORKS 119 CC						√						√			
DEEZLO TRADING						√						√			

SKCY ROADS						√						√			
NDISHI STHOMBE JV						√						√			
EGXENI CONSTRUCTION			√										√		
RGZ PROJECTS			√										√		
ROCKHARD PLUMBERS				√									√		
SIYADUDULA CONSTRUCTION						√							√		
MADONDO HUGHES CC			√										√		
MAKHUBU CIVILS			√										√		

**SERVICE PROVIDER PERFORMANCE REPORT**

2012/2013 PERFORMANCE RATINGS									2013/2014 PERFORMANCE RATINGS						
COMPANY NAME	EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED		EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED
AZISHE CONSTRUCTION					√								√		
KULU CIVILS & PROJECT MANAGERS					√								√		
UMUZI CIVILS							√						√		
INYAMEKO TRADING						√							√		
LINDOKUHLE ENGINEERING							√					√			
NOKWEJA ENGINEERING							√						√		
ABARIM TRADING							√				√				

SINGHS HARDWARE							√						√		
PHINGOSHE TRADING							√			√					
UMHLABOMUS HA TRADING							√					√			

SERVICE PROVIDER PERFORMANCE REPORT															
2012/2013 PERFORMANCE RATINGS									2013/2014 PERFORMANCE RATINGS						
COMPANY NAME	EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED		EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED
P THREE TRADING ENT							√					√			
INGQOLOBANE PROJECTS							√					√			
THUBA CONSTRUCTION							√					√			
ABANGANI PROJECTS							√					√			

ASIHLMELISE TRADING ENT							√						√		
AQUA TRANSPORT						√							√		
VALAMEHLO TRUCK SALES						√							√		
TAKITSI TRADING						√					√				
MALUTHULI CONSULTING						√					√				
KK GARDENS WORLD						√					√				

SERVICE PROVIDER PERFORMANCE REPORT															
2012/2013 PERFORMANCE RATINGS									2013/2014 PERFORMANCE RATINGS						
COMPANY NAME	EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED		EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED
NGOTSHA CONSTRUCTION						√					√				
SIBA FAMILY TRADING ENT						√					√				
OKAMDEKENI TRADING						√					√				
RICINZ CONSTRUCTION						√					√				
ILUNGELO LAMI TRADING						√					√				
MAFUKU TRADING						√					√				
CORPORATE GOVERNANCE															
EMZANSI EVENTS						√					√				

AURECON						√				√					
ISIDINGO SECURITY							√				√				
KZN SALES & SERVICE				√							√				
DEBBIE ISAACS		√								√					
<b>SERVICE PROVIDER PERFORMANCE REPORT</b>															
<b>2012/2013 PERFORMANCE RATINGS</b>									<b>2013/2014 PERFORMANCE RATINGS</b>						
<b>COMPANY NAME</b>	<b>EXCELLENT</b>	<b>VERY GOOD</b>	<b>GOOD</b>	<b>SATISFACTORY</b>	<b>POOR</b>	<b>NOT ENGAGED</b>	<b>NO REPORT SUBMITTED</b>		<b>EXCELLENT</b>	<b>VERY GOOD</b>	<b>GOOD</b>	<b>SATISFACTORY</b>	<b>POOR</b>	<b>NOT ENGAGED</b>	<b>NO REPORT SUBMITTED</b>
<b>CORPORATE SERVICES</b>															
KENVOLKS MOTORS						√			√						
CMH COMMERCIAL PINETOWN						√			√						
SUPERTECH PANEL BEATERS						√			√						
CHRYSLER JEEP DODGE						√			√						

UMHLANGA															
COASTAL AUTO SERVICES						√			√						
TREVS AUTO SERVICES						√			√						
DOLPHIN COAST TOWING & REPAIRS		√							√						
MOTOR KING		√							√						

**SERVICE PROVIDER PERFORMANCE REPORT**



2012/2013 PERFORMANCE RATINGS									2013/2014 PERFORMANCE RATINGS						
COMPANY NAME	EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED		EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED
ONE STOP AUTO INDUSTRIES & BREAKDOWN SERVICES		√							√						
STANGER MOTOR WORLD		√							√						
SONKE CONSULTING		√								√					
HLUNGA CONSULTING		√								√					
OPTICAL NETWORK SOLUTIONS		√								√					
DIMENSION DATA		√								√					
KONICA MINOLTA		√								√					
NASHUA		√								√					

SERVICE PROVIDER PERFORMANCE REPORT																
2012/2013 PERFORMANCE RATINGS									2013/2014 PERFORMANCE RATINGS							
COMPANY NAME	EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED		EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED	
GIJIMA TECHNOLOGIES				√							√					
PHOTONOTE					√								√			
SMART OFFICE					√								√			
UNIQUEST TRAVEL						√					√					
CHANTI TRAVEL						√				√						
TRAVEL WITH FLAIR						√								√		
FINANCE																

USC METERING T/A UTILITY						√				√					
INDWE RISK SERVICES						√			√						
FIRST NATIONAL BANK							√		√						
D & D AMANZI						√						√			
KAYOSI TRADING						√				√					
<b>SERVICE PROVIDER PERFORMANCE REPORT</b>															
<b>2012/2013 PERFORMANCE RATINGS</b>									<b>2013/2014 PERFORMANCE RATINGS</b>						
<b>COMPANY NAME</b>	<b>EXCELLENT</b>	<b>VERY GOOD</b>	<b>GOOD</b>	<b>SATISFACTORY</b>	<b>POOR</b>	<b>NOT ENGAGED</b>	<b>NO REPORT SUBMITTED</b>		<b>EXCELLENT</b>	<b>VERY GOOD</b>	<b>GOOD</b>	<b>SATISFACTORY</b>	<b>POOR</b>	<b>NOT ENGAGED</b>	<b>NO REPORT SUBMITTED</b>
BC INDUSTRIAL						√			√						
KFC ENGINEERING						√			√						
UNICOAST						√				√					
CONTI CHEM						√			√						

PTY (LTD)															
OFFICE OF THE MUNICIPAL MANAGER															
MHP GEOSPACE						√				√					
IYER URBAN DESIGN STUDIO						√				√					





## COMPONENT A: BASIC SERVICES



**Mr Notha Maphumulo**

**Director Technical  
Services (Acting)**

**“Facilitating a seamless delivery of infrastructure development thereby guaranteeing the people of ILembe District Municipality sustainable water and sanitation services” Mr Notha Maphumulo**

### **THE OBJECTIVE OF THE TECHNICAL SERVICES DEPARTMENT IS:**

- To provide sustainable infrastructure that will render water and sanitation services;
- To eradicate the backlogs and cater for future demands that may arise out of the new developments that are likely to be implemented within the iLembe District Municipality;
- To ensure the quality of drinking water in the region is improved. To this end the district in consultation with DWAF who regulates the Water Services Act had undergone Blue and Green Drop Assessments. In addition, the district has also been assessed in terms the Regulatory Performance Management Services (RPMS).

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#### **4.1 MAJOR CAPITAL PROJECT UNDERTAKEN IN THE 2013/2014 FINACIAL YEAR**

This section is an account on the major Capital Projects that were undertaken by the District in all the Four (4) Local Municipalities that fall within its jurisdiction. The account is presented per Local Municipality and schemes with that Municipality.

##### **1) MANDENI LOCAL MUNICIPALITY**

###### **1.1. Ndulinde Sub-Regional Water Supply Scheme**

The Ndulinde Sub-Regional Water Supply Scheme fall within wards 5, 6 and 11 of Mandeni Local Municipality. The scheme is intended to provide portable water supply to the community that is currently being served through boreholes that are equipped with hand pumps and some springs that are within the area. The source of water is from reservoir C that is fed from the Sundumbili Water Works, which is situated on the northern banks of the Thukela River. The scheme will serve a total of 42,752 people residing in some 10,691 households. The scheme is estimated to cost R 116,579,664 and is implemented in phases until 2014/2015 financial year when it will be fully commissioned.

###### **1.2. Macambini Sub-Regional Water Supply Scheme**

The Macambini Sub-Regional Water Supply Scheme fall within wards 1, 2, 3, 8 and 9 of Mandeni Local Municipality. The scheme is intended to provide portable water supply at a basic level of service to the community that is currently being served through boreholes that are equipped with hand pumps and some springs that are within the area. The scheme will also augment the current supply from the Mlalazi Water Scheme that is under UThungulu District Municipality who act as a bulk water provider to iLembe DM.

During dry seasons, UThungulu DM is unable to meet iLembe DM's demand and this often results in shortage of water to the community of Macambini. The source of water is the Sundumbili Water Works, which is situated on the northern banks of the Thukela River that is upgraded from 27M/l/d to 40M/l/d in order to increase the capacity of water works.

The scheme will serve a total of R58,480 people residing in some 7,310 households. The scheme is estimated to cost R 101,726,581.00 and is implemented in phases until 2015/2016 financial year when it will be fully commissioned.

##### **2) KWADUKUZA LOCAL MUNICIPALITY**



## **2.1 Lower Thukela Regional Bulk Water Scheme**

The Lower Thukela Regional Bulk Water Scheme is intended to serve the area of KwaDukuza with portable water supply. The demand for water on the coastal area of KwaDukuza has increased and the currently supply from the Umdloti and Umvoti river systems are insufficient to meet the projected water demand.

The project is implemented jointly by iLembe District Municipality and Umgeni Water and will cater for the:

- current demand,
- future private developments of commercial, industrial and residential nature,
- low cost housing developments,
- rural areas currently served as stand-alone schemes, and
- Rural area that is currently un-served.

The scheme will serve a total of 64,239 bulk connections to commercial and private units, 28,567 low cost housing units, augmentation of bulk to 3,349 rural households and bulk and reticulation to 3,083 rural households without services. The scheme is expected to cost a total of R 1,283,580,681.00 and is implemented in phases, subject to availability of funding. The iLembe District Municipality is also exploring the idea of a desalination plant to augment the above water schemes. The investigations are still at a preliminary phase but will be fully explored in the next financial year.

## **3) NDWEDWE LOCAL MUNICIPALITY**

### **Wartburg water pipeline.**

The iLembe District Municipality has since partnered with Umgeni Water to construct a bulk pipeline from the Midmar Dam that will bring water through Umgungundlovu DM and Umshwathi areas to iLembe District Municipality. The scheme will cover ward 4, 5, 6, 7,8& 9 in Ozwathini / Phambela under Ndwedwe Local Municipality.

The pipeline will be implemented in three phases with the last phase to Ozwathini being implemented during 2016/2017. The first phase of the pipeline construction is already underway while the design to iLembe District Municipality is at an advanced stage.

## **Nsuze Water Scheme**

Ilembe District Municipality resolved to construct a weir, as an interim measure, at Nsuze River to supply ward 4, 5, 6, 7, 8 & 9 in Ozwathini / Phambela under Ndwedwe Local Municipality, whilst awaiting for the Nsuze Water Scheme to be completed in 2017. The scheme will produce 2 mega litres per day once completed.

## **Kwa Chili Shangase Pipeline**

In the as the above cited scheme is concerned, the first phase was successfully completed in the 2013/2014 financial year. As at June 2014, we at bid stages for a service provider that would deliver phase two of the project.

## **4) MAPHUMULO LOCAL MUNICIPALITY**

### **4.1. IMVOTSHANE REGIONAL WATER SCHEME**

The IMvutshane Dam will be constructed as part of the Maphumulo/KwaDukuza Sub Regional Water Scheme. The scheme is co-funded by iLembe District Municipality and Umgeni Water wherein Umgeni Water will focus on the implementation of the bulk system (including the dam) and iLembe District Municipality will focus on the reticulation networks up to the standpipes.

The scheme will cover wards 4, 7, 8, 9, 10 and 11 of Maphumulo Local Municipality and ward 1, 2, 3, 4 and 7 of Ndwedwe Local Municipality. The full extent of the scheme stretches from Maphumulo to KwaDukuza.

The scheme will serve a total of 77,900 people residing in some 17,084 households. The scheme is estimated to cost R 339,870,403.00 of which R 131,982,216.00 is iLembe District Municipality funds and R 207,888,187.00 will be funded by Umgeni Water. The first phase of the scheme was commissioned during the 2012/2013 financial year and the second phase is expected to be complete by 2016/2017 financial year.

## **Balcom / Kwa Sizabantu Sub-Regional Water Scheme**

The Balcom/ KwaSizabantu Sub-Regional Water Supply Scheme falls within Maphumulo Local Municipality and will provide wards 3, 5 and 6 with portable water supply to a basic level of service. as June 2014 progress was as follows:

- Three reservoirs were completed ;
- The task of laying a 160 diameter pipeline was successfully completed, constructed;

The Water Supply Scheme will serve approximately 3,532 households (28,256 people) in Balcom and Kwa Sizabantu areas. The scheme also makes provision for the adjacent Magongo area in Ward 3. The scheme is estimated to cost R 168,242,758 and will be implemented in phases until 2015/2016 financial year and will be fully funded by iLembe District Municipality.

## **SANITATION**

### **KWADUKUZA WATER BORNE SEWER PROJECT**

The primary objective of this project is to provide a bulk sanitation system to service the growing needs of Groutville development areas which, besides Groutville, serves the areas of Thembeni, Njekane, Ethafeni, Chief Albert Luthuli Land Reform, Nyundwini and proposed Lloyds / Chris Hani Ntshawini Region and all located within KwaDukuza local Municipality. On completion, this scheme will serve a total of 129 000 citizens.

This project is jointly being implemented by KwaDukuza Local Municipality, iLembe District Municipality, Cogta KZN, KZN Department of Human Settlements and the KZN Department of Water and Sanitation. The total cost of this staged project is R 254 million.

As at June 2014, progress had been recorded as follows:

- Three sewer pump stations had been completed and one at 90%.
- Construction of the bulk sewer mains was at advanced stage and nearing completion.

## 4.2 A REFLECTION ON THE PERFORMANCE OF THE MUNICIPALITY IN THE DELIVERY OF WATER AND SANITATION.

### WATER

The **2011/2012** figure for households served with new water access was **6,426**, however the totals for the **2012/2013** figure amounts to **2,746** which is lower than the previous year achieved target.

Water Service Delivery Levels can be tabulated as follows:

Description	Year -3	Year -2	Year -1	Year 0 *(2013/2014)
	Outcome	Outcome	Outcome	Actual
<b>Household (000)</b>				
<b><u>Water: (above min level)</u></b>				
Piped water inside dwelling	546	655	846	-
Piped water inside yard (but not in dwelling)	865	456	486	1,103
Using public tap (within 200m from dwelling )	486	465	546	-
Other water supply (within 200m)				-
<i>Minimum Service Level and Above sub-total</i>	1,898	1,576	1,879	1,103
<i>Minimum Service Level and Above Percentage</i>	84%	65%	79%	75,08
<b><u>Water: (below min level)</u></b>				
Using public tap (more than 200m from dwelling)				
Other water supply (more than 200m from dwelling)	486	486	486	-
No water supply				39,582
<i>Below Minimum Service Level sub-total</i>	359	865	486	
<i>Below Minimum Service Level Percentage</i>	16%	35%	21%	24,92
<b>Total number of households*</b>	<b>2,256</b>	<b>2,442</b>	<b>2,365</b>	<b>1,103</b>
<b>* - To include informal settlements</b>				

Financial Performance Year 0: Water Services					
R'000					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	(573,415)	(635,398)	(628,418)	(575,427)	52,991
Expenditure:					
Employees	83,182	98,306	104,566	105,118	(552)
Repairs and Maintenance	33,120	21,930	31,700	33,069	(1,369)
Other	220,680	237,341	257,508	380,041	(122,533)
<b>Total Operational Expenditure</b>	336,982	357,577	393,774	518,228	(124,454)
<b>Net Operational Expenditure</b>	(236,433)	(277,821)	(234,644)	(57,199)	177,445
Capital Expenditure Year 0: Water Services					
R' 000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	
Total All	352 000 937	321 279 981	296 666 759		92%
Water Conservation			4 310 953		0%
MIG	132 017 544	132 070 726	120 880 222		92%
Lower Tugela Bulk	114 035 087	70 175 439	74 887 716		107%
Other	105 948 306	119 033 816	96 587 868		81%

## CAPITALIZED INFRASTRUCTURE PROJECTS 2013/2014

Project Name	2013/2014
Ngcebo Bulk Water Supply R&B Pipeline (TS 50)	R10 699 590.55
Ngcebo Bulk Water Supply RGZ (TS 34)	R12 154 639.91
Ngcebo Bulk Water Supply Pilcon (TS 47)	R32 287 889.50
Ndulinde (Phase 2B)	R17 491 888.34
<b>Total</b>	<b>R72 634 008.30</b>

## 2013/2014 CAPITAL PROJECTS BREAKDOWN

Project name	Type	Ward	Allocated funds
Ngcebo Community Water Supply	Water	Maphumulo Wards 1,2 & 3	
Ngcebo/ KwaDukuza Water Supply	Water	KwaDukuza	R 17 722 965.00
Mandeni / Kwa Dukuza (Lower Thukela Regional Bulk Water Supply)	Water	Mandeni and KwaDukuza	R 70 175 439.00
Hlimbithwa 1	Water	Maphumulo Ward	R 75 281.00
Ozwathin Gcwensa/ Phamela	Water	Ndwedwe Ward 4	R 4 385 965.00
Mthombisa Water Supply	Water	Ndwedwe Ward 3	
Sans Sauci Bulwer Farm Extension	Water	KwaDukuza Ward 1	R 4 500 000.00
Macambini	Water	Mandeni Ward 1,3 and 8	R 24 285 395.00
Ndulinde	Water	Mandeni Ward 5,6 and 11	R 20 873 050.00
Ndwedwe Household Sanitation	Sanitation	Ndwedwe Wards 11,14 and 17	R 7 894 737.00
Mandeni Household Sanitation	Sanitation	Mandeni Ward 6	R 7 894 737.00
Maphumulo Household Sanitation	Sanitation	Maphumulo Wards 5 and 6	R 7 894 737.00
Inyoni Housing Bulk Water System	Water	Inyoni	R 10 526 316.00
Inyoni Housing Bulk sewer System	Sanitation	Inyoni	R 877 193.00

Balcom Kwasizabantu	Water	Maphumulo Wards 5 and 6	R 22 298 246.00
Mdlebeni Sewer Package Plant and Reticulation	Sanitation	Ward 1 KwaDukuza	R 2 000 000.00

### 2013/2014 CAPITAL PROJECTS BREAKDOWN

Project name	Type	Ward	Allocated funds
Ngcebo Community Water Supply	Water	Maphumulo Wards 1,2 & 3	R 3,000,000.00
Ngcebo/ Kwa Dukuza Water Supply	Water	KwaDukuza	R 32,000,000.00
Mandeni / Kwa Dukuza (Lower Thukela Regional Bulk Water Supply)	Water	Mandeni and Kwa Dukuza	R 56,576,000.00
Hlimbithwa 1	Water	Maphumulo Ward	R 500,000.00
Ozwathini Gcwensa/ Phamela	Water	Ndwedwe Ward 4	R 14,000,000.00
Mthombisa Water Supply	Water	Ndwedwe Ward 3	R 550,000.00
Sans Sauci Bulwer Farm Extension	Water	KwaDukuza Ward 1	R 2,000,000.00
Macambini	Water	Mandeni Ward 1,3 and 8	R 32,000,000.00
Ndulinde	Water	Mandeni Ward 5,6 and 11	R 25,000,000.00
Ndwedwe Household Sanitation	Sanitation	Ndwedwe Wards 11,14 and 17	R 10,000,000.00
Mandeni Household Sanitation	Sanitation	Mandeni Ward 6	R 9,000,000.00
Maphumulo Household Sanitation	Sanitation	Maphumulo Wards 5 and 6	R 9,000,000.00
Inyoni Housing Bulk Water System	Water	Inyoni	R 13,579,350.00
Inyoni Housing Bulk sewer System	Sanitation	Inyoni	R 500,000.00
Balcom Kwasizabantu	Water	Maphumulo Wards 5 and 6	R 23,000,000.00
Mdlebeni Sewer Package Plant and Reticulation	Sanitation	Ward 1 KwaDukuza	R 5,162,650.00

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### 4.3 WATER QUALITY

**Water provided by the iLembe District Municipality is among the best in South Africa.**

The Department of Water Affairs (DWA) initiated the drinking water quality (DWQ) regulation programme in 2005 with the objective of ensuring the improvement of tap water quality by means of compliance monitoring. A survey conducted in the preceding year indicated that less than 50% of municipalities then monitored drinking water quality as per legislated requirements. The introduction of the regulation initiative saw the monitoring performance improving to 100% by early 2008. However this improvement did not necessarily instill public confidence due to many negative reporting on water quality at that stage. This phenomenon triggered the initiation of an incentive-based regulation programme, termed Blue Drop Certification, which commenced on 11 September 2008.

This incentive based regulation provides consumers with credible information on the confidence that the water provided is of acceptable quality and good for human consumption. Municipalities that perform well are rewarded with the certification of excellence for that particular year which is forfeited if not sustained the following cycle of assessment. iLembe District Municipality is ranked number 3 in the province, behind Newcastle and eThekweni. The table below indicates iLembe's performance for both Blue and Green Drop systems over a 3 year period.

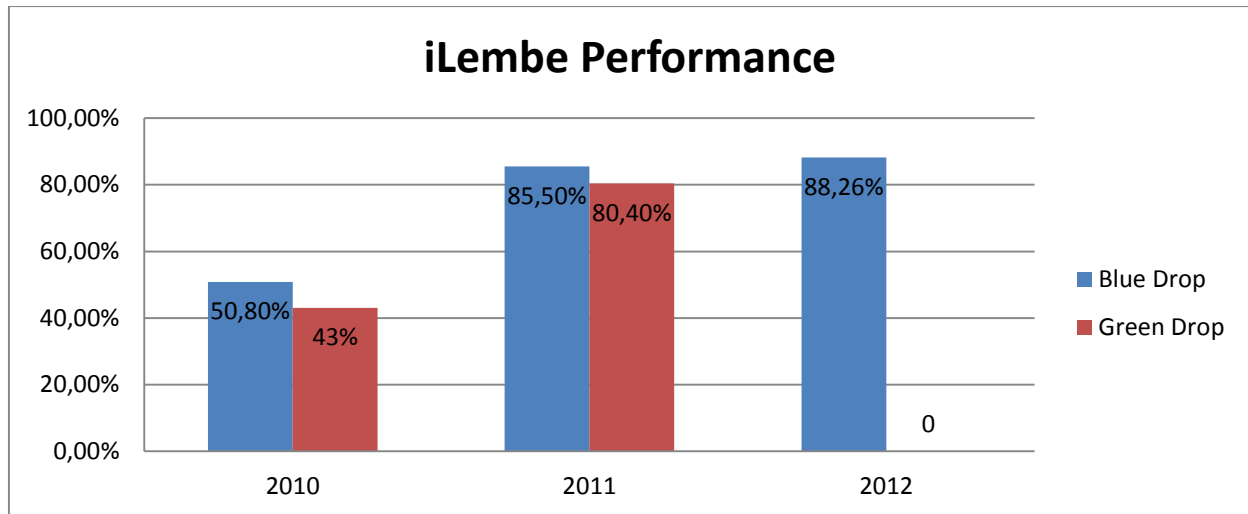
Similarly, in an attempt to facilitate a more transparent method to indicate the level of confidence DWA has in waste water quality management, the department initiated a method of awarding towns within Water Service Authorities (WSA) with Green Drop status. This status is achieved if the WSA complies with waste water legislative requirements and other best practice requirements that are being implemented.

The assessment for the Green Drop Systems was conducted electronically using the Progress Assessment Tool (PAT). The Green Drop Risk profile Progress Report for 2012 is the product of a gap year, where progress is reported in terms of the improvement or decline in the risk position of the respective wastewater treatment plant, as compared to the previous year's risk profile. All the Water Services Authorities participated using PAT during the period of November 2011 to February 2012. In essence the Green Drop audit for certification will be in 2013.

It must be noted that the PAT only compares the plants of that particular municipality; it does not compare municipalities against one another. Two plants operated by Siza Water, namely, Frazers and



Shakaskraal have low risk. ILembe Operations and Maintenance were quantified as being medium risk. Sundumbili operated by WSSA is at medium-to-high risk Vukile and Amatikulu are at high risk.



ILEMBE DM BLUE DROP PERFORMANCE

## SANITATION PROVISION

### Sanitation Service Delivery Levels

Description	2009/10	2010/11	2011/12	2012/13	2013/2014
	Outcome	Outcome	Outcome	Outcome	Actual
<b>Household (000)</b>					
<b><u>Sanitation/sewerage: (above minimum level)</u></b>					
Flush toilet (connected to sewerage)	942	600	720	930	1866
Flush toilet (with septic tank)	712	952	502	535	0
Chemical toilet	535	535	511	601	0
Pit toilet (ventilated)	124	135	103	100	4270
Other toilet provisions (above min.service level)	13	13	15	11	0
<i>Minimum Service Level and Above sub-total</i>	2,325	2,236	1,851	2,178	12086
<i>Minimum Service Level and Above Percentage</i>	68.9%	59.9%	55.5%	63.1%	75.08 %
<b><u>Sanitation/sewerage: (below minimum level)</u></b>					
Bucket toilet	502	952	938	720	0
Other toilet provisions (below min.service	535	535	535	535	0

level)					
No toilet provisions	10	11	12	15	0
<i>Below Minimum Service Level sub-total</i>	1,047	1,498	1,485	1,271	39861
<i>Below Minimum Service Level Percentage</i>	31.1%	40.1%	44.5%	36.9%	25,92
<b>Total number of households*</b>	<b>3,372</b>	<b>3,734</b>	<b>3,336</b>	<b>3,449</b>	<b>51947</b>

Capital Expenditure Year 0: Sanitation Services (2013/2014)					R' 000
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	
Total / All	41 228 071	41 764 140	52 122 298	75%	
Waste Water	17 543 860	17 543 860	18 766 536	107%	
MIG	23 684 211	23 684 211	32 068 030	135%	
Melville Treatment Plant		536 069	1 287 732	240%	
<b>Other</b>					

## COMMENT ON SANITATION PROVISION

The following infrastructural characteristics, issues and challenges impact on the future development of the iLembe District and need to be taken forward in the IDP process:

- The provision of basic infrastructure is hampered by the topographic constraints, low densities and low affordability levels, particularly in rural and traditional areas.
- Service infrastructure in iLembe's urban areas needs upgrading and maintenance.
- Rural areas are severely affected by a lack of basic services and continued service delivery backlogs.
- Bulk water supply, is a major constraint that effects the entire District and in urgent need of attention. KwaDukuza Sewer main project seeks to address this challenge.
- As at June 2014, 24% of the population still did not have access to clean water and obtained water from rivers and streams. This poses a health risk with further implications regarding the provision of social services.
- The urban areas have proper water borne sanitation systems, but rural areas rely on pit latrines or no system at all. This places tremendous strain on the environment and poses a health risk.



#### 4.5. BACKLOGS INFORMATION

Water - Backlog Study Estimates (UWP)										
Local Municipality	Population	Total Households	Backlogs in 2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
Mandeni	131,830	37,798	25,913	24,081	23,461	23,081	23,031	20,930	20,793	20,741
KwaDukuza	252,053	61,084	13,125	12,225	9,725	9,725	9,725	7,056	6,859	6,613
Ndwedwe	208,447	33,459	15,917	14,236	8,057	7,298	6,255	5,346	4,419	4,419
Maphumulo	212,909	27,606	21,119	20,119	13,221	12,373	11,116	10,369	8,884	8,079
	805,239	159,947								
HH without access to Water			76,074	70,661	54,464	52,477	50,127	43,701	40,955	39,852
Achievements			400	5,413	16,197	1,987	2,350	6,426	2,746	1,103
HH served			83,873	89,286	105,483	107,470	109,820	116,246	118,992	120,095
Sanitation - Backlog Study Estimates (UWP)										
Local Municipality	Population	Total Households	Backlogs 2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
Mandeni	131,830	37,798	12,491	10,691	10,691	9,841	8,167	6,767	5,256	3,786
KwaDukuza	252,053	61,084	12,456	12,456	12,456	12,456	12,311	12,311	12,311	12,311
Ndwedwe	208,447	33,459	22,231	18,061	17,478	14,961	12,660	11,116	9,395	7,995
Maphumulo	212,909	27,606	25,445	21,977	21,977	21,539	19,440	18,040	17,169	15,769
	805,239	159,947								
HH without access			72,623							

to sanitation				63,185	62,602	58,797	52,578	48,234	44,131	39,861
Achievements			6,374	9,438	583	3,805	6,219	4,344	4,103	4,270
HH served			87,324	96,762	97,345	101,150	107,369	111,713	115,816	120,086

## COMPONENT B: PLANNING AND DEVELOPMENT

### 4.5 LOCAL ECONOMIC DEVELOPMENT (BY ENTERPRISE ILEMBE)

Enterprise iLembe (EI) is the Economic Development Agency of iLembe District Municipality, responsible for **Trade & Investment Promotion** and **Local Economic Development** for the region within the following key sectors:

#### **Agriculture**

This sector is characterized by two main distinct types:

- ✓ Commercial agriculture, such as sugar cane farming along the coastal strip ; and
- ✓ Subsistence agriculture in the rural hinterland and inland areas.

#### **Manufacturing**

This sector is mainly characterized by the following types of industries:

- ✓ Primary sector comprises of heavy industries, such as sugar and paper mill production in the Isithebe Industrial Estate in Mandeni
- ✓ Secondary sector activities include light industries that are prevalent throughout the district and with a focus on the rural areas of the district as well as along the coastal belt.

#### **Tourism**

iLembe is one of the prime domestic tourism attractions in South Africa due to its favorable climate and its excellent beaches. This sector has consistently grown in iLembe and offers a variety of tourism facilities that can be categorized into Cultural and heritage tourist, Beach tourism, Nature-based and adventure tourism,

#### **Commerce and Services**

This sector includes the following sub sectors and is found in all the main urban centers throughout the district with specific reference to the towns of KwaDukuza and Ballito:

- ✓ Wholesale / retail trade Transport / storage Communication Financial / insurance

- ✓ Real estate Business / Community / social / personal services Government services

The philosophy that drives Enterprise iLembe is built on global best practice principles in Local Economic Development. “Local Economic Development is a participatory process where local people from all sectors work together to stimulate local commercial activity, resulting in a resilient and sustainable economy. It is a tool to help create decent jobs and improve the quality of life for everyone, including the poor and marginalized.” This is reflected in the Industrial Development Strategy developed around the District. Strategy of thinking global and act LOCAL.

#### **MANDATE AND FUNCTIONS OF THE ENTERPRISE ILEMBE**

- ✓ Develop and strengthen the local economic development strategy on behalf of the district and family of municipalities;
- ✓ Champion a wide range of activities which emerge as important from the family of IDPs and LED Strategies;
- ✓ Co-ordinate LED activities to ensure alignment and integration;
- ✓ District marketing and promotion of tourism and investment promotion;
- ✓ Facilitate the identification, packaging and implementation of catalytic projects in the four key sectors and new sectors;
- ✓ Provide professional and multi-skilled support and networking services to major investors who wish to invest in the region;

#### **KEY STRATEGIC OBJECTIVES**

##### **Strategic objective 1**

Facilitate research that assists with Policy Development and formulation that impacts the mandate of the Agency.

- ✓ Identify policies and Acts that effect the Agency
- ✓ Research Team
- ✓ Market Intelligence(international, national, provincial, local)
- ✓ Research that will influence the decision making process

## **Strategic objective 2**

Influence policy and the regulatory environment for socio economic development and investment

- ✓ Identify existing structures and leverage of those
- ✓ If none, create structures
- ✓ Use structures to engage government
- ✓ Include issues of infrastructure and spatial planning
- ✓ Influence infrastructural and spatial planning

**Strategic Objective 3: Identify, build and coordinate partnership amongst socio economic stakeholders**

**Strategic objective 4: Facilitate the packaging and implementation of projects in existing and new sectors**

**Strategic objective 5: Market and promote Ilembe as an investment, tourism, business destination.**

**Strategic objective 6: Research other potential growth sectors in addition to the current four sectors of focus.**

## **OPERATING PRINCIPLES OF ENTERPRISE ILEMBE**

- ✓ Bring the poor and previously disadvantaged to the Centre of development
- ✓ Develop strategies to minimize the gap between the 2<sup>nd</sup> and 1st Economy
- ✓ Build a synergistic relationship between Local Economic Development and Social Upliftment.
- ✓ Build Linkages between the established coastal economies and historically marginalised rural areas.
- ✓ Build a culture of Social, Economic & Environmental interdependency as the first test when evaluating opportunities. (i.e. triple bottom line)
- ✓ Focus LED around realistic catalytic initiatives natural to the region and wherever possible building on the uniqueness of local competitive advantage and market differentiation.
- ✓ Building a capacity to nurture effective and mutually beneficial partnerships based on fair and equitable business principles.



- ✓ Ability to leverage Broad Based Black Economic Empowerment (BBBEE) as measured by direct or potential equity and not only new jobs created.

Opportunity identification and development is a key process whereby investment opportunities are identified through private sector engagement, public sector and gap analysis. Imperative to Enterprise iLembe pursuing or supporting a project is driven by the Agency Strategy and whether the project idea meets the Agency's Value Statement "Economic Development that will change the lives of our people".

Projects must be Specific, Measureable, Achievable, Realistic and within a Timeframe (SMART), and have socio-economic benefits linked to it. Enterprise iLembe has a Project Management Unit that assists in this process, with experienced Project Managers in the key sectors identified.

#### **KEY SUCCESSES AND CHALLENGES THAT WERE EXPERIENCED IN 2013/2014**

The piloting of the Schools Nutrition Programme by Enterprise iLembe was seen as both a challenge and one of the key successes for the Entity as Cabinet has resolved to rollout the programme across the entire province. The project involves the weekly supply of vegetables via approximately 105 service providers to 410 schools (comprising approximately 155 583 students) located in the iLembe District Municipality. Since the inception of the project when approximately 70% of the vegetables were sourced from local farmers, Enterprise iLembe has managed to ensure that this has changed to 100%. There are currently 40 small-scale co-operative farmers benefiting from this initiative. The challenge however is ensuring sustainability as Enterprise iLembe had to initially fund the project without having the necessary budget to do so. This impacted negatively on the Entity's spending and cash flow.

Other challenges include;

- ✓ Not being able to attract a Technical Partner for the Biodiesel Plant in Mandeni
- ✓ The Technical Partner for the Hydroponic Tunnels withdrew from the project
- ✓ There was no vineyard harvesting due to the cash-flow situation
- ✓ Enterprise iLembe was also not successful in securing funding for new projects in this financial year.

Some of successes include the;

- ✓ The iLembe Co-operative Winery celebrated its first production with a very successful opening of the winery by the MEC for Co-operative Governance and Traditional Affairs;
- ✓ The winery project won the KwaZulu-Natal provincial prize for the Best Community Project.
- ✓ Challenging as it may, the implementation of the NSNP was hailed as the most effective weapon to fight poverty in the country by the Premier of KZN and his Cabinet. The other 10 districts in the Province were mandated to also adopt the iLembe Initiative.

Overall the iLembe District continues to grow at a rapid pace attracting new business to the region. The partnerships that Enterprise iLembe has forged with various stakeholders in both the public and private sector continues to strengthen.

In the year 2014/2014 the following multiyear projects were implemented:

<b>Project Name</b>	<b><i>Project Description &amp; Status Quo</i></b>
<b>iLembe Vineyards and Winery Project</b>	<p><b><i>Budget Allocation 2013/2014 – R1 138 233</i></b></p> <p><b><i>Expenditure as at 30/06/2014 – R1 138 233</i></b></p> <p><b><i>Project Funder/s: DCOGTA and IDC</i></b></p> <p>The iLembe vineyards and winery project is a two phased project which involves the establishment of a primary Villard Blanc crop for further processing in a winery established as a first of its kind in the District. A total of 10.1 hectares of vines have been planted across Mandeni, Maphumulo and Ndwedwe and a winery located at the Colisheen Estate in Mandeni.</p> <p>In the District's first harvest last year 28 tons (15 tons in Nyoni, 7 tons in Maphumulo and 6 tons in Ndwedwe) of grapes were gathered from the three vineyards, this produced a total of</p>

	<p>8000 liters of dry white wine.</p> <p>Unfortunately, due to funding constraints Enterprise iLembe was unable to harvest this year meaning that there was no processing taking place at the winery.</p> <p>Enterprise iLembe finalized the process of getting the Liquor License for the Sale of alcohol in the winery. This process was finalized in May 2014.</p>
<b>iLembe Open Farms</b>	<p><b><i>Budget Allocation 2013/2014 – R2 106 509</i></b></p> <p><b><i>Expenditure as at 30/06/2014 – R2 106 509</i></b></p> <p><b><i>Project Funder/s: iLembe District Municipality</i></b></p> <p>The project entails establishing and supporting community-based co-operatives to operate viable agricultural farms, which produce vegetables and other cash crops for both the community's needs and for sale to the Department of Education's Service Providers for the National School's Nutrition programme. The District's piloting of the Schools Nutrition programme opened up sustainable and reliable markets for the local small-scale farmers, the farms have been producing vegetables as per the Department of Education's menu plan. Vegetables such as cabbages; butternut; spinach; carrot and green beans are then harvested weekly and supply to the National Schools Nutrition programme.</p> <p>Phase one which was initially implemented last year has seen 40 farms being prepared and producing vegetables for the programme. Every year 40 additional farms will be identified to increase production levels for the Programme. To date 80 farms are producing for the National Schools Nutrition Programme. Subsequently, Ei is working on a three year farmer's assistance programme this programme will see Ei assist new farms for a period of 3 years or until such a time the</p>

	<p>farmers are self-sustainable. Approximately, 530 participants have benefited from the NSNP.</p>
<b>iLembe Processing Facility</b>	<p><b><i>Budget Allocation 2013/2014 – R 2 418 580</i></b></p> <p><b><i>Expenditure as at 30/06/2014 – Nil</i></b></p> <p><b><i>Project Funder/s – DCOGTA</i></b></p> <p>The iLembe Processing Facility is established to ultimately link the greenhouses and open fields in the four local municipalities to 2 decentralised processing facilities, these centers are strategically located in the two local municipalities (Maphumulo and Mandeni). The processing facilities are being used as temporary storage, packaging and dispatch points for the National Schools Nutrition Programme.</p>
<b>Review of the LED Strategy</b>	<p><b><i>Budget Allocation 2013/2014 – R605 135</i></b></p> <p><b><i>Expenditure as at 30/06/2014 – R269 953</i></b></p> <p><b><i>Project Funder/s – DCOGTA</i></b></p> <p>Enterprise iLembe has completed the process of reviewing the Local Economic Development Strategy. The projects identified per sector (Renewable Energy, Agriculture, ICT &amp; Service and Manufacturing) are being implemented by means of conducting feasibility studies for new project opportunities.</p>
<b>National Schools Nutrition Programme</b>	<p><b><i>Budget Allocation 2013/2014 – R6 210 000</i></b></p> <p><b><i>Expenditure as at 30/06/2014 – R4 578 132</i></b></p> <p><b><i>Project Funder/s: Department of Education</i></b></p>

	<p>The National School's Nutrition programme was piloted as a District Project in January 2013. The aim of the Programme is to enable the District's small-scale framers to produce and sell vegetables to be consumed by the learners in the District's 406 schools. At the onset of the project, the Department of Education who are the custodians of the Project appointed Enterprise iLembe as the Implementing Agent with a responsibility to ensure that the vegetables are available on a weekly basis for procurement. Since the inception of the programme this year the District's local farmers have supplied the programme with approximately 200 tons of vegetables, this is an average of 10 tons per week.</p> <p>Furthermore, Enterprise iLembe has just signed a Service Level Agreement with the Department of Education for the second year of supply of vegetables. Moreover, this year, Enterprise iLembe has been given the task of supplying and transporting directly from the farms to the Schools without the aid of the Department's Service Providers.</p>
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Below is a summary of the operating income and expenditure compared with budget for the 2013/2014 financial year.

<b>REVENUE</b>	<b>Actual 2014 R</b>	<b>Budget 2014 R</b>	<b>Variance Actual/Budget %</b>
Opening Surplus	22 160 658	-	-
Operating income for the year	24 698 159	30 928 117	(20)
Sundry transfers		-	-
<b>Total</b>	<b>46 858 817</b>	30 928 117	
<b>EXPENDITURE</b>			
Operating expenditure for the year	22 967 044	<b>30 928 117</b>	(26)
Closing surplus	23 615 193	-	-
<b>Total</b>	<b>46 583 967</b>	<b>30 928 117</b>	

The under expenditure when compared with budget is due to the fact that the Department of Education, National Schools Nutrition Programme is under spent by R4.4 million and projects are under spent by R6.3 million.

In the 2013/2014 financial year R5.8 million was spent on projects. Details set out below.

R' 000					
Capital Projects	2013/14				
	Budget	Adjustment Budget	Actual Expenditure	Variance from budget	Total Project Value
Open Fields	2 107	2 107	2 107	0%	2 107 000
IDC – Renewable Energy	230	230	230	-100%	1 000 000
Vineyards & Winery	538	1 904	1 904	0%	18 000 000
Growth Summit	400	400	251	-100%	400 000
Tourism	1204	1204	978	-19%	1 204 000
Agri Processing Facilities	2 419	2 419	125	-100%	7 400 000
LED Strategy	605	605	270	-55%	1000 000
<b>TOTAL</b>	<b>7 503</b>	<b>8 869</b>	<b>5 865</b>		

#### ENTERPRISE ILEMBE PROJECTS JOBS CREATED AND RETAINED

PROJECT NAME	2011/2012	2012/2013/2014
iLembe Agri-Hubs	159	57
iLembe Vineyards	60	49
iLembe Open Fields	529	661
Processing Facility	0	5 Permanent

		16 semi-permanent
<b>TOTAL</b>	<b>748</b>	<b>788</b>

#### 2.4.3 Number of new Co-operatives Registered by Enterprise iLembe

NAME OF CO-OPERATIVE	REGISTRATION DATE	NUMBER OF JOBS
Vukukhanye Sewing Primary Co-operative Limited	14/03/2014	10
Thuthukani Wetane Project Primary Co-operative Limited	27/02/2014	13
Happy co-operative Limited	18/02/2014	6
Sivulizandla Agricultural Co-operative Limited	13/01/2014	9
Enqikini Agricultural Co-operative Limited	08/01/2014	6
Dlokovu4 Primary Co-op Limited	05/11/2014	7
Nodunga2 Projects Co-operative Limited	23/10/2013	7
Mandeni Motors Spares Primary Co-operative Limited	20/09/2013	8
Ndimba Primary Co-operative Limited	21/08/2013	5
Masibonge Co-operative Limited	25/07/2013	15
Umaqondana Primary Co-operative Limited	11/06/2014	6
N and P Home Industry Co-operative Limited	19/03/2014	8
Lubanzolwakhe Farming Co-operative Limited	23/01/2014	6
Sgodini Multi-purpose Primary Co-operative Limited	07/11/2013	5



Abakholwayo Abesweli Co-operative Limited	04/07/2013	5
<b>TOTAL</b>		<b>116</b>

With the Dube Tradeport and King Shaka international airport so close to our boundary, opportunities for engagement with members of the international business fraternity will now become more prevalent, and iLembe District Municipality will ensure that the opportunities for inbound investment be made available to our entry premiers through the iLembe Chamber and Commerce and Industry. Such economic opportunities include the King Shaka international airport and the Dube Tradeport, as well as macro-economic developments like the Blythedale Coastal Resort, Nonoti and similar resorts, KwaShushu Hotsprings in Maphumulo, Titanium Mining in Maphumulo and Kwaloshe Forest tourism in Ndwedwe.

Within our region, we have also been exploring avenues to create additional jobs for people who live in townships close to industrial areas, through the formulation of an **industrial development strategy**, which will highlight the types of industries available and their proximity within the region. This will attract investors who may be interested in setting up factories in our district, which will create work for those out there who wish to take up this opportunity. The District Municipality also reviewing its **investment incentive strategy** to guide people to our region, as well as an informal economy strategy, which will help small medium and Micro enterprises develop themselves to a level whereby they can take advantage of opportunities given to the bigger companies within our region.

Business Retention and Expansion is also a key to the vision of the District and to this end we have partnered with the IDC and iLembe Chamber to roll out a Business Retention and Expansion programme in the District. The promotion of trade and investment is on-going as we continue to partner with stakeholders such IDC, TKZN and TIKZN to attract investment into the region.

## CHAPTER 5: ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)

### CORPORATE SERVICES DEPARTMENT



Mr. G Kumalo

Director: Corporate Services

**“Creating an opportunity for everyone in the municipality to learn, improve and build up their skills”**

**“The growth of the municipality relies on competitiveness and innovation, skills and efficient delivery of service ..... and these in turn rely on education of our workforce and Councillors”**

### INTRODUCTION

The Human Resources Unit is subdivided into four components i.e. Recruitment, Benefits Management including leave, Labour Relations, Skills Development with Employment Equity and Organization Development mainly focusing on the structure development and maintenance and employee wellness.

It is during this financial year that unions were engaged and supported the implementation of TASK job evaluation results of 2009. The department dealt with the transfer of staff from other institutions to Ilembe District Municipality with few glitches such as environmental health staff that were coming from the Provincial Department of Health amongst others.

## CHALLENGES

The following challenges impact on the future development of the iLembe District and need to be taken forward during the next financial year:

- The lack of substantial office space to accommodate the growth of the municipality
- Lack of compliance with Occupational Health and Safety of municipal buildings
- The development of the skills in line with municipal goals and functions.
- The slow pace of job evaluation process for some of the jobs, and
- Need to improve municipal records management

The Department of Corporate Services has to improve on data management in order to be able to track the information and ensure safe keeping of the municipal intellectual property.

### 5.1 INTRODUCTION TO THE MUNICIPAL PERSONNEL

#### EMPLOYEE TOTALS, TURNOVER AND VACANCIES

		EMPLOYEES			
	YEAR 2013	YEAR 2014			
Description	Employee s	Approved Posts	Employee s	Vacancie s	Vacancie s
	No.	No.	No.	No.	%
Water and Waste Water	386	396	323	52	13
Planning	6	9	8	1	11
Environmental Protection	14	25	24	1	4
Sport & Recreation	0	1	0	1	100
Corporate Policy Offices and Other	302	208	220	101	21
<b>TOTALS</b>	<b>699</b>	<b>639</b>	<b>575</b>	<b>114</b>	

The municipality has improved in filling of positions dealing with water and waste water management. During this financial year the Municipality started the process of filling the position of the Director:

Technical Services and is hoped to be concluded during 2014/2015. The transfer of staff from WSSA (Sundumbili Plant) to the Municipality mainly on sanitation was transferred to the Department of Technical Services as a result more staff was added to this department.

Ilembe District Municipality concluded the transfer of environmental health and safety staff from KZN Provincial Department of Health and ensured smooth transition.

<b>Vacancy Rate: 2013/2014</b>			
<b>Details</b>	<b>Total Approved Posts No.</b>	<b>Vacancies (Total time that vacancies exist using fulltime equivalents) No.</b>	<b>Vacancies (as proportion of total posts in each category) %</b>
Office of the MM	22	7	31%
Corporate Services	89	13	14%
Finance	135	12	8%
Corporate Governance	43	12	27%
Technical Services	396	49	12%

The Municipality encountered few resignations and certainly untimely passing away of the Municipal Manager. However, it has ensured that vacancy rate remained low and more positions are filled. However, the challenge can be foreseen that the vacancy rate may slightly increase due to the TASK salary curve aligned to the implementation of TASK job evaluation results of which is usually unattractive to the current labour market.

<b>Turn-over-Rate</b>			
<b>Details</b>	<b>Total Appointments as of the Beginning of Financial Year No.</b>	<b>Terminations during the Financial Year No.</b>	<b>Turn-over-rate (%)</b>
<b>2011/2012</b>	<b>103</b>	<b>30</b>	<b>29%</b>
<b>2012/2013</b>	<b>110</b>	<b>30</b>	<b>27%</b>
<b>2013/2014</b>	<b>23</b>	<b>32</b>	<b>139%</b>

In this financial year the Turn-Over Rate increased to 139% compared 27% of 2012/13. The actual difference between appointment and resignation is 9 and some of the terminations were as result of untimely passing away of employees. 16 resignation were received, 3 staff members passed away and 7 dismissal. The high number of dismissals are as a result of the application of the municipal Code of Conduct Collective Agreement.

## 5.2 MANAGING THE MUNICIPAL WORK FORCE

### INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

The MSA 2000 S67 requires municipalities to develop and adopt appropriate systems and procedures to ensure fair; efficient; effective; and transparent personnel administration in accordance with the Employment Equity Act 1998.

### POLICIES

HR Policies and Plans				
No.	Name of Policy	Completed %	Reviewed %	Date adopted by council or comment on failure to adopt
1	Affirmative Action	100%	N/A	It is a draft, however, Municipality Employment Equity Plan addresses Affirmative Action issues
2	Attraction and Retention	100%	100%	Jun-10
3	Code of Conduct for employees	N/A	N/A	MSA Legislated and Collective Agreement
4	Delegations, Authorization & Responsibility	100%	100%	Guided by the legislative framework, but policy to be developed
5	Disciplinary Code and Procedures	N/A	N/A	Collective Agreement
6	Essential Services	100%	100%	Draft Policy has been developed and all stakeholders have been consulted. To be finalized by June 2015.
7	Employee Wellness Programme	100%	N/A	Draft Policy has been developed and all stakeholders have been consulted. To be finalized by June 2015.
8	Employment Equity	100%	100%	Jun-10
9	Exit Management	100%	100%	Covered in the Retention Policy
10	Grievance Procedures	N/A	N/A	MSA Legislated and Collective Agreement

11	HIV/AIDS	100%	N/A	Draft Policy has been developed and all stakeholders have been consulted. To be finalized by June 2015.
12	Human Resource	100%	100%	June 2010
13	Information Technology	100%	100%	June 2010
14	Job Evaluation	100%	100%	Implemented by July 2014
15	Leave Management	100%	100%	Existing Policy adopted in Jun-10 is currently under review and will be finalized by June 2015
16	Occupational Health and Safety	100%	100%	June -10
17	Official Housing	N/A	N/A	Covered by Collective Agreement
18	Official Journeys	N/A	N/A	However covered by Subsistence and Travel Allowance Policy
19	Official transport to attend Funerals	N/A	N/A	However covered by Fleet Management Policy
20	Official Working Hours and Overtime	100%	100%	Jun-10
21	Organizational Rights	N/A	N/A	Covered by Labour Relations Act and Collective agreement
22	Payroll Deductions	N/A	N/A	Legislated
23	Organizational Performance Management and Development	100%	100%	Jun-10
24	Recruitment, Selection and Appointments	100%		Jun-10 currently under review and to be finalized June 2015
25	Remuneration Scales and Allowances	N/A	N/A	Decided by a Collective Agreement
26	Resettlement	N/A	N/A	However, is covered in the Recruitment and Selection Policy
27	Sexual Harassment	100%	N/A	It is a draft
28	Skills Development	100%	100%	Approved 05 August 2014
29	Smoking	N/A	N/A	Covered in OHS Policy
30	Special Skills	N/A	N/A	Still to be developed
31	Work Organisation	N/A	N/A	
32	Uniforms and Protective Clothing	100%	100%	Jun-10
33	Other:	-	-	-

The Municipality has made much progress in the development and implementation of the required workforce policies and procedures. It is currently reviewing these to ensure their continued applicability and relevance and developing new policies and procedures where required.

#### SICK LEAVE

NUMBER OF DAYS AND COSTS FOR SICK LEAVE (EXCLUDING INJURY ON DUTY)						
Salary Band	Total Sick Leave	Proportion of sick leave without medical certification	Employees Using Sick Leave	Total employees in post	Average Sick Leave per employee	Estimated Cost
	No.	%	No	No.	Days	R'000
less than - 7000	1994	17.3%	188	188	10.6	1,278,080.00
less than - 10000	463	8.9%	42	41	11.00	365,697.93
less than - 20000	2919	8.3	252	229	11.58	3,378,796.31
less than -40000	774	4.3%	82	79	9.44	2,021,394.73
less than -65500	27	2.1%	4	4	6.75	273,911.92
less than -95513	194	0.2%	27	27	7.01	91,389.64
<b>TOTAL SICK LEAVE ESTIMATED COSTING</b>	<b>6371</b>	<b>41.1%</b>	<b>595</b>	<b>568</b>	<b>56.38</b>	<b>27,523,94.22</b>

The Municipality experienced high sick leave taken in the period with the category of employees earning less than R 20 000.00 being the highest at 11.58%. The challenge is currently being addressed through the implementation of the Employee Wellness Programme.

## INJURIES, SICKNESS AND SUSPENSIONS

NUMBER AND PERIODS OF SUSPENSIONS				
Position	Nature of alleged misconduct	Date of Suspension	Details of Disciplinary Action	Date Finalised
Cashier	financial misconduct	14/11/13	Disciplinary enquiry: 26/02/14	11/03/14
DISCIPLINARY ACTION TAKEN ON CASES OF FINANCIAL MISCONDUCT				
Position				
Cashier	financial misconduct		Dismissed	11/03/14

Other suspensions commenced in the previous period of 2012/13 and overlapped to the current period of 2013/14 when cases were finalised.

## 5.3 CAPACITATING THE MUNICIPAL WORKFORCE

### WORKFORCE CAPACITY DEVELOPMENT

The Municipality is committed to continuous capacity development of its employees through implementation of skills development initiatives aimed at enhancing performance, accountability and service delivery improvement.

A Workplace Skills Plan aligned to the strategic objectives of the Municipality is developed annually in compliance with the Skills Development Act and LGSETA requirements. The training and development of the workforce is funded through Municipality's own budget and LGSETA grant funding.

The main focus areas of the 2013/14 Workplace Skills Plan were:-

Programme	Number of Beneficiaries
Municipal Finance Management Programme	23
Plumbing Artisan Development	36
Water Wastewater Treatment Skills Programme	14
Adult Education and Training (AET)	40
LED Learnership (unemployed)	14
Plumbing Learnership (unemployed)	20
Primary Agriculture (unemployed)	15



## 5.4 MANAGING THE WORKFORCE EXPENDITURE

### WORKFORCE EXPENDITURE

Total Employees costs for the financial year under review amounted to R134 335 596 million against the budget of R90,7 mil. This represents 99% spending on salaries budget. The variance is attributed to savings amongst others.

Overall, the employee costs represent 27% of total operational expenditure which is well within the 35% threshold as per National Treasury guidelines.

Employees Whose Salary Levels Exceed The Grade Determined By Job Evaluation			
Occupation	Number of employees	Remuneration level (R'000)	Reason for deviation
Deputy Directors	2	R925 578	These employees were on fixed term contract of which was converted to full time employment as guided by Amendment of Municipal Systems Act of 2011
Managers	21	R780 593 – R877 720	

In this financial year the Municipality has been able to successfully implement 2009 TASK job evaluation results with the great support of the union, however, it has encountered number of disputes of which are to be submitted to Job Evaluation Committee recently established by SALGA especially those that cannot be dealt with in-house. The Departments hopes that during 2014/15 financial year the JE committee will be able to address all the appeals arising from the results of 2009.



**Miss Nosipho Mba**

**Chief Finance Officer**

**“Creating a secure sound financial management system that will serve as an enabler to the efficient and economic implementation of the municipality’s service delivery programme projects” Miss Nosipho Mba**

### EXECUTIVE SUMMARY

The purpose of this report is to provide information that would be useful to users of the annual financial statements for accountability and decision making purposes by enabling them to gain an insight into the operations of the Ilembe District Municipality from the perspective of the municipality. It also provides the opportunity to reflect on the municipality’s interpretation of significant items, transactions and events affecting the financial position, financial performance and cash flows of the municipality. Therefore, this financial statement discussion and analysis complements the information in the 2014/2013 Annual Financial Statements.

This financial statement discussion and analysis report is consistent with the 2014/2013 Annual Financial Statements and the underlying items, transactions and events, as well as assumptions such as those relating to recognition and measurement.

The following is included in this report:

1. An overview of the Ilembe District Municipality's operations and the environment in which it operates;
2. Information about the Ilembe District Municipality's objectives and strategies;
3. An analysis of the Ilembe District Municipality's financial statements including significant changes and trends in its financial position, financial performance and cash flows; and
4. A description of the Ilembe District Municipality's principal risks and uncertainties that affect its financial position, financial performance and cash flows, an explanation of changes in those risks and uncertainties since the last reporting date and its strategies for bearing or mitigating those risks and uncertainties.

1) AN OVERVIEW OF THE ILEMBE DISTRICT MUNICIPALITY'S OPERATIONS AND THE ENVIRONMENT IN WHICH IT OPERATES

**a) GOVERNANCE I.E. LEGISLATIVE/REGULATORY STRUCTURE AND MANAGEMENT STRUCTURE**

The compilation of the Annual Financial Statements is governed by the regulatory requirements that are prescribed by firstly the South African Standards of Generally Recognized Accounting Practice (SA Standards of GRAP), requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No.56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2012 (Act No.5 of 2012) (DoRA).

The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with SA Standards of GRAP and the requirements of the MFMA and the DoRA, and for such internal controls as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In terms of the MFMA System of Delegations as adopted by the Municipal Council of the Ilembe District Municipality the Chief Financial Officer is directly responsible for the preparation and fair presentation of the financial statements and for the internal controls that are necessary to enable the preparation of financial statements that are free from material misstatement. Hence the CFO is required to undertake and manage all relevant work outputs to achieve the final preparations and submission to the Accounting Officer to meet the prescribed time frames.

Ilembe District Municipality has established a Budget and Treasury Office (Finance Department) i.e. the office of the Chief Financial Officer in terms of section 80 of the MFMA. The finance department is headed by Ms. N Mba and is mainly responsible for the overall direction, monitoring and management of the finances of the municipality and for such roles as defined by sections 81 and 79 of the MFMA. The Management Structure of the Budget & Treasury Office for which Chief Financial Officer is the administrative head is documented as follows:

**(i) Budget and Compliance Monitoring**

This unit is headed by Manager: Budget and Compliance; Mrs. SN Mthembu and is mainly responsible for coordinating the budget preparation, implementation and monitoring processes, internal and external financial reporting and compliance monitoring in terms of sections 68 to 75 of the MFMA. This unit has two (2) sections i.e. Budget and reporting and Annual Financial Statements and compliance monitoring.

**(ii) Revenue Management**

This unit is headed by Manager: Revenue; Mr. M Gumede and is delegated the functions and responsibilities for the management of the revenue of the municipality in terms of section 64 of the MFMA. This unit has three (3) sections i.e. Revenue management, Credit control and collections, and Accounts administration and customer care.

**(iii) Supply Chain Management**

This unit is headed by Manager: Supply Chain Management; Mr. N Xulu and is delegated the functions and responsibilities for Supply Chain Management in terms of chapter 11 of the MFMA. This unit has two (2) sections i.e. Demand and Acquisition Management and Contract Management.

**(iv) Expenditure Management**

This unit is headed by Manager: Expenditure; Mr. T Shezi and is delegated the functions and responsibilities for expenditure management in terms of sections 65 and 66, Cash management and investments in terms of section 13, municipal debt management in terms of chapter 6 and municipal bank accounts in terms of chapter 3 part 2 of the MFMA.

**(v) Assets and Logistics Management**

This unit is headed by Manager: Assets and Logistics Management; Mr. EN Ngcobo and is delegated the functions and responsibilities for asset management in terms of section 63 and capital assets disposal in terms of section 14 of the MFMA and for logistics management in terms of regulation 39 of the MFMA SCM regulations. This unit has two (2) sections i.e. Assets and stores management.

**b) ILEMBE DISTRICT MUNICIPALITY'S RELATIONSHIP WITH OTHER ENTITIES THAT COULD AFFECT ITS**

## **FINANCIAL POSITION, FINANCIAL PERFORMANCE AND CASH FLOWS**

Ilembe District Municipality has the following relationship with the following entities:

- A wholly owned entity with net assets of R24 million – Ilembe Management Development Enterprise (Pty) Ltd;
  - R30 million long-term loan with ABSA Bank bearing an interest rate of 10.8% per annum, interest is paid quarterly and the loan is repayable in 2025;
  - R59 million long-term loan with Development Bank of South Africa bearing interest rates between 9.02% and 11.04% per annum payable every six months with the last repayment due on 30 September 2025; and
  - R2 million finance lease liability with Debis Fleet management and Mc McCarthy Fleet Solutions for different categories of motor vehicles that are utilised for service delivery purposes. The leases are for a period of 5 years or 240 000 kilometres whichever occurs first. The interest rates vary between 9% and 15.5%. The termination dates vary between November 2013 and November 2015. These leases are repaid monthly and include maintenance and make provision for the payment of excess distance travelled where applicable. At the expiry of the lease term, the vehicles revert to the lessors.
  - R22 million investment with ABSA, this investment has been ceded as security against the long term loan from ABSA.
  - R19 million receivable from non-exchange transaction owed to the municipality by the Department of Water Affairs.
  - R23 million unspent conditional grants which are subject to approval of the roll over application by National Treasury.
- c) **EXTERNAL TRENDS, EVENTS AND DEVELOPMENTS IN LEGAL, REGULATORY, SOCIAL, POLITICAL AND MACRO-ECONOMIC ENVIRONMENT THAT IS SPECIFIC TO THE ILEMBE DISTRICT MUNICIPALITY WHICH HAVE OR MAY HAVE A SIGNIFICANT IMPACT ON ITS FINANCIAL POSITION, FINANCIAL PERFORMANCE AND CASHFLOWS**
- The aforementioned comprise of the following, namely:

### **(i) Water Distribution Losses**

Ilembe District Municipality has incurred water distribution losses of approximately 48%. This is mainly due to main leaks (ageing infrastructure), illegal connections and service connection leaks. A five year strategic master plan for the reduction of non-revenue water has been adopted by the municipality to address this problem.

The following immediate actions are also necessary in order to deal with the challenge:

- Formulation of a preventative infrastructure maintenance plan and sourcing of funding for

implementation

- Acceleration of the roll out of the intelligent meter project which includes full meter audit to identify and deal with illegal connections and service connection list
- Zoning and installation of control meters to control and monitor water distribution and completeness of revenue
- Removal of stand pipes water connections and reduction of supply of water through water tanker system.

## **(ii) Low debt and revenue collection rate**

Low debt and revenue collection is a legacy issue that the municipality is currently dealing with. The effect of this is an extreme strain in the cash flows of the municipality, high dependence on grant funding and low liquidity ratio.

The annual municipal budget is mainly reliant on the forecasted revenue collection that will fund the expenditure throughout the financial year. When the projected collection rate is not achieved with no corresponding decrease in expenditure, it results in the implementation of a budget that is not cash backed.

The following are some of the main challenges affecting the debt and revenue collection of the municipality:

### ***a. Significant number of unregistered indigent consumers***

A comparison of indigent consumer registers between the Ilembe family of municipalities revealed that approximately 15 000 indigent consumers already registered with the local municipalities have not yet registered with the District Municipality.

The implication of this is that there are currently consumers in the municipality's database that are billed at the rate that they cannot afford and subsequently will not be able to service their debt. This will result in a steady increase in the municipal debt book with no corresponding increase in receipts from debtors.

Included in the provision for bad debts is an amount of R5.5 million (2013/12: R5 million) for this category of debtors.

When the qualifying consumers are eventually registered as indigents, this will result in an increase in debt impairment and write-offs and going forward will result in a decrease in revenue.

An indigent outreach program has been drafted by the municipality in order to address this issue.

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***b. Deceased consumers not declared as such by the property beneficiaries***

Our debtors' book review has revealed that approximately 7 314 consumers within the Ilembe District Municipality have been confirmed as deceased by the Department of Home Affairs. In light of the aforementioned the property beneficiaries have yet to record that they continue to utilise municipal services. The debt impairment/write-off relating to these consumers in the AFS is estimated at R187 921 (2013/2012: R7, 720, 799-00).

Due to the high number of indigents in the district, most deceased consumers do not have a deceased estate where the municipality can claim the debt from. A significant increase in this category of consumers also results in a significant decrease in revenue collection rate which also affects cash flows adversely.

The municipality has currently embarked on the program of notifying the property beneficiaries and/or the water consumers residing on the property of the deceased to register for services and enter into an AOD to pay off the debt accumulated after date of death of the previous consumer. Failure by the current consumers to register for services will result in the water meter being removed from property of the deceased.

***c. Consumers categorised as pensioners***

The debtors economic profiling exercise revealed that approximately R233 thousand (2013/12: R37 million ) arrear municipal services debts relates to consumers categorised as pensioners ,in this regard the entire amount was written off as irrecoverable at year end.

A significant increase in this category of consumers has also contributed in a significant decrease in revenue collection rate which also affects cash flows adversely.

**(iii) Material sewer revenue losses**

The municipality uses valuation rolls from the local municipalities as a method of charging sewer tariff. This has proved to be very expensive for the consumers especially the business community. During the 2014/13 financial year, it was noted that there were inconsistencies between the sewer revenue charged to individual consumers and charges per the approved tariff policy.

The reason for the variances was due to the fact that the old consumers were charged based on the 2007/2008 valuation roll instead of the 2011 valuation rolls from the local municipalities. This has resulted in total loss in revenue of R12.2 million over 3 financial years.

To resolve this matter, council has taken a resolution to change the method of charging sewer tariff from valuation roll base to water consumption base for the 2015/14 financial year.

**(iv) Decrease in market related interest rates**

A decrease in market related interest rates offered on municipal investments has resulted in a decrease in interest earned on external investments.

**(v) Weakening of the South African Rand**

Ilembe District Municipality has entered into a 3 year contract with Microsoft USA for procurement of Microsoft licences. The South African rand has continued to weaken in the 2014/13 financial year which has resulted in the forex translation losses of R164 000 before net off with forex cover translation gains.

**(vi) Predominantly rural communities with high unemployment rate and child headed families**

A significant area of the Ilembe District is situated in rural communities where most consumers cannot afford to pay for services. Some families are child headed and with the high unemployment rate this has contributed to the increase in the indigent consumers.

The increase in indigent consumers without a corresponding increase in equitable share grant exerts a significant strain on the municipality's cash flows as the municipality is currently dependent on grant funding.

**(vii) Misaligned political agendas**

Political agendas that are not aligned to the municipality's objectives may result in adverse revenue collection, credit control and debt collection outcomes; in some cases result in delay in certain critical projects implementation strategies.

The above mentioned factors adversely affect the projected revenue and debt collection rate which in turn affects the cash flows of the municipality.

**(viii) Adverse changes in financial status/capacity of the contractors**

The failure by emerging contractors to execute or implement projects to completion results in overspending on certain capital projects as contracts are ceded to contractors that can complete the projects hence putting a strain on the municipal cash flows. This also results in unnecessary delays on service delivery due late completion of capital projects.

The unplanned overspending on capital projects may also result in overstatement of the initial cost of the property, plant and equipment in the financial position of the municipality.



The overspending on capital expenditure was R4.7 million for the 2014/13 financial year and was internally funded. For the 2013/12 financial year overspending on capital expenditure was R12 million, R11 million was internally funded and R1 million was grant funded. As a result the municipality had to find R16.7 million unbudgeted for working capital over the two (2) reported financial years to fund this over expenditure.

#### **1) THE MAIN OPERATIONS INCLUDING SERVICE DELIVERY METHODS AND SIGNIFICANT CHANGES**

The Ilembe District Municipality is mainly a Water Services Authority and Provider i.e. WSA and WSP. The main operations are the provision of water and sewerage services. Approximately 90% of the Municipal Services revenue comes from water sales and 10% is for provision of sewerage services. Revenue collection rate was 75% and 68% for the 2014/13 and 2013/12 respectively.

The District Municipality is currently under a 30 years' service concession agreement with SembCorp Siza Water for the Ballito, Zimbali, Compensation Beach, Willard Beach, Salt Rock, Shaka's Rock, Umhlali Beach, Thompson's Bay, Sheffield Beach, Tinley Manor, Shakaskraal, Umhlali including Foxhill & Tafeni, Shakashead, Nkobongo and Etete towns. The concession area is mainly the affluent areas of the Ilembe District which leaves the municipality mostly with areas that have high level of indigent communities.

The new water meter connections, water service disconnections/restrictions and reconnections function of the Ilembe District Municipality is currently outsourced to various contractors. Water meter reading for the Groutville area and after hours plumbing services is also currently outsourced to contractors.

There were no significant changes in the service delivery methods and service concession agreement in the 2014/13 financial year.

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## **2) INFORMATION ABOUT THE ILEMBE DISTRICT MUNICIPALITY'S OBJECTIVES AND STRATEGIES**

The following are the financial viability objectives of ILembe District Municipality as reflected in the IDP:

1. Increased and more efficient revenue collection systems and processes;
2. Implement and maintain compliant and efficient financial management practices that increase financial viability of the municipality;
3. Increase revenue base of the municipality;
4. Achieve and maintain a clean audit opinion and clean administration
5. Be the best financially managed district municipality in the world;

All of the above mentioned objectives relate to the financial position, financial performance and cash flows of the municipality. Each objective has a strategy in place and can be grouped into the different units within the finance department management structure. The achievement of these objectives and progress thereof is monitored through the monthly PMS reports and quarterly performance assessment sessions.

For the purpose of this discussion document, these objectives and strategies are grouped and explained below under each unit within the finance department management structure:

### **1. BUDGET AND COMPLIANCE MONITORING**

Two objectives fall under this unit i.e. to implement and maintain compliant and efficient financial management practices that increase the financial viability of the municipality and to achieve and maintain clean audit opinion and clean administration.

#### **a) Implement and maintain compliant and efficient financial management practices that**

### **increase the financial viability of the municipality**

The following key performance areas relate to these objectives and are implemented and monitored under this unit within finance:

#### ***Credible budgeting***

One of the biggest challenges of the financial plan (budget) is matching increased service demands with a relatively stagnant revenue basis. This is further aggravated by the challenges of joblessness, communicable diseases and ravaged households where the latter, more often than not, are child-headed households.

These challenges make the need for realistic and timeous financial planning even more critical. The priority of the District Municipality is to produce a credible and reliable budget that is MFMA compliant and supports the strategic objectives of the municipality as outlined in the IDP. Most important is that the budget must be fully funded, cash backed and carefully monitored.

A budget that is not fully funded and cash backed will negatively affect the cash flows of the municipality. Although the approved 2014/13 and 2013/12 MTREF Budgets of the District Municipality were fully funded and cash backed, the implementation thereof was affected by the planned revenue collection rate which was not achieved as anticipated .

However, austerity measures were applied to ensure that municipality continues to operate and able to pay its debts as they fall due.

It must be noted that the municipal budgets were more conservative than generous as the municipality is currently dependent on grant funding. The demand for the eradication of service delivery backlogs and repairs and maintenance of the ageing infrastructure demanded an increase in internally funded capital projects.

To meet this demand, cash – backed reserves of approximately R30 million were utilised during the 2012/11 adjustments budget process to fund the budget.

Although the decision really improved the quality of life of the Ilembe District people and its infrastructure assets; it has however exerted a lot of strain on the cash flows of the municipality since the targeted revenue collection rate was not achieved for reported 2014/13 and 2013/12 financial years. The table below depicts the strategies implemented in the 2014/13 financial year to achieve this objective and the results thereof ;as outlined in the finance department performance report:

<b>Strategy</b>	<b>KPA</b>	<b>KPI</b>	<b>Target</b>	<b>Actual</b>
Credible budgeting with identifiable revenue sources	Credible budgeting	Compliance with MFMA Budget Regulations and circulars	Full compliance	Full compliance

Ensure adequate financial management	Compile Budget for 2015/2014	Approved fully funded Operating & Capital Budget for 2015/2014 by deadline	30 June 2014	29 May 2014
Ensure adequate financial management	Financial Management	Percentage variance of both under and over spending	10%	-41%
Ensure adequate financial management	Statutory monthly and quarterly reports	Submission of monthly and quarterly reports by deadline	Monthly reports by the 14 <sup>th</sup> each month Quarterly reports by the 21 <sup>st</sup> after the end of each quarter	All reports submitted by deadline

**b) Achieve and maintain a clean audit opinion and clean administration**

The strategic objective of the ILembe District Municipality is to achieve clean audit by 2014 as announced by the Minister of COGTA and the Auditor General. In order to achieve this objective, ILembe District Municipality's focus for the previous financial year was to obtain clean administration i.e. implementation and monitoring of Financial Management Standard Operating Procedures (SOPs), the AG key control's matrix and KZN Provincial Treasury's reconciliation tracking tool.

This task proved to be very involved and time consuming, the main focus in the 2013/12 financial year was to develop the SOPs, align the SOPs to the AG key control and the KZN PT tracking tool, intense focus on team building in an attempt to influence change in mind sets and change management.

As part of this process two additional units were established within the finance department i.e. Assets and Logistics Management and Enterprise Risk Management. Due to the materiality of the ILembe District Municipality's asset base of over a billion, it became necessary to establish the asset and logistics management unit.

Furthermore, in order to achieve a clean administration, it became necessary to establish the Enterprise Risk Management unit to deal with risk management, Anti-fraud and corruption and Systems control and loss management. This unit has since been transferred to the office of the municipal manager in the 2014/13 financial year for monitoring and oversight.

The ILembe District Municipality has achieved its objective of obtaining clean audit opinion and clean administration. Furthermore IDM has received an accolade from the president in his SONA as one of the eleven best performing municipalities in the country.

### The matters raised by the Auditor General during the 2013/12 Municipal Audit

The following were non-compliance matters raised by the Auditor General:

1. Material adjustments to the AFS during the audit due to correction of prior period's accumulated surplus relating to loss on de-recognition of infrastructure assets that were incorrectly included in the fixed asset register in the prior years and later removed; and disclosure of misappropriation of funds as material losses. This has resulted in non-compliance with section 122 of the MFMA.
2. Directly related to the item above was non-compliance with section 63(2) (c) of the MFMA on effective system of internal control for asset management.
3. Although there were no adjustments to the AFS relating to revenue and consumer debtors line items, AG raised non-compliance with section 64(2) (f) of the MFMA on effective system of internal control for debtors and revenue.
4. The last non-compliance matter raised by the AG was non-compliance with section 62 (1) (d) of the MFMA on taking reasonable steps to prevent irregular expenditure. It must be noted that R12 million of the R15 million related to irregular expenditure that was incurred in the current financial year was detected by the municipality and regularised by council in terms of section 32 of the MFMA.

The following emphasis of matters disclosed in the AFS was brought to the attention of the users by the Auditor General:

5. Material debt impairment
6. Material water distribution losses and misappropriation of funds disclosed as material losses
7. Irregular expenditure and
8. Restatement of corresponding figures.

The table below depicts the strategies implemented in the 2014/13 financial year to achieve this objective and the results thereof; as outlined in the finance department performance report:

Strategy	KPA	KPI	Target	Actual
Ensure adequate financial management	Obtain clean audit report for 2013/2012	a) Clean audit report for 2013/2012 b) % decrease in AG findings c) No repeat findings	a) Clean audit report for 2013/2012 b) 25% decrease in AG findings c) NO repeat	1. Unqualified audit report for 2013/2012 2. 0% 3. 0 repeat findings

			findings	
Achieve clean administration	Operation clean administration	Submission of performance reports with accurate and complete POEs by deadline	Submission of monthly reports by the 14 <sup>th</sup> of each month.	2013/09/12 2013/09/16 2013/10/14 2013/11/18 2013/12/17 2014-04-22 2014-03-14 2014-02-14 2014/05/15 2014/06/20 2014/07/14
Maintain clean audit opinion	Maintain Clean Audit and obtain Clean Administration for 2014/2013	a) Implementing and monitoring SOPs b) Implementing and monitoring AG key controls c) Implementing and monitoring AG dashboard	a) 9 SOPs monitoring reports b) 4 AG key controls monitoring reports c) 4 AG Dashboard monitoring reports	a) 7 b) 4 c) 2
	Maintain Clean Audit and obtain Clean Administration for 2014/2013	a) Preparing monthly AFS that complies with the year-end action plan and submitting them to FPC and Audit Committee b) Monitoring year end action plan progress monitoring report c) Monitoring progress on audit queries resolving plan	a) 11 b) 100% c) 75%	a) 11 b) 100% c) 75%

## 2. REVENUE MANAGEMENT

Three objectives fall under this unit i.e. Increased and more efficient revenue collection systems and processes, Implement and maintain compliant and efficient financial management practices that increase financial viability of the municipality and Increase revenue base of the municipality.

All of the above-mentioned objectives relate to the financial position, financial performance and cash flows of the municipality. They are all important to ensure sustainability of the municipality.

### a) Increased and more efficient revenue collection systems and processes

One of the important aspects of revenue enhancement; is knowing who your customers are, where they live and how to contact them so you can be able to service them well and bill them correctly.

Quality billing occurs when the right consumers are billed at the correct tariff and consumption level where applicable. Quality billing is not complete until the bill reaches the right consumer at the right time for the consumer to pay.

The ILembe District Municipality's objective is to first achieve quality billing of the existing consumers, serve them excellently and then expand the revenue base.

One of the difficult challenges experienced in the past years was to ensure that the bills reach the consumers especially in the unplanned townships. At times bills were returned by the local schools as they remained uncollected by the relevant consumers, which meant that the consumers were not receiving their statements.

The IDM embarked in a project with the local post offices and various local people to deliver consumer statements/bills at the residential address i.e. at the door step, this project assisted considerable in resolving the challenge. There was a continuous monitoring of progress in this regard where the goal was to decrease the number of returned mail considerable and this was achieved in the 2012/2011 financial year.

Data cleansing initiatives are continuously embarked on to improve the quality of billing.

These objectives ensure that the revenue reported on the AFS is valid, accurate, complete and correctly classified.

### **b) Implement and maintain compliant and efficient financial management practices that increase financial viability of the municipality and Increase revenue base of the municipality**

Effective and efficient indigent management, credit control and debt collection is critical to Ilembe District Municipality (IDM)'s success in realising this objective. The achievement of quality billing and registration of all indigents in the district has a direct impact on the achievement of these objectives.

Furthermore these objectives have a direct impact on the collection rate.

The culture of non-payment, increase in number of unregistered indigents and deceased debtors, ineffective water restricting devices and the quality of consumer data amongst other things are some of the key legacy issues inherited by Ilembe District Municipality causing a considerable increase in debt impairment, debtors' book and significant decrease in the revenue collection rate.

This has also been aggravated by the delay in the implementation of the intelligent meter project.

Increasing the collection rate still remains a challenge for Ilembe District Municipality, however, a number of initiatives has been implemented which includes economic profiling of the existing debtors book, old debt collection strategy to complement the revenue enhancement strategy and the intelligent meter project.

These challenges affects financial performance of the municipality as it increases debt impairment charge, the financial position is also affected as the debt write-off and increase in provision for debt impairment decreases the recoverable value of the debtors in the AFS.

The low collection rate also negatively affects the cash flows of the municipality especially when it is considerable lower than budget. The 2014/2013 revenue collection rate was 75% compared to the projected collection rate of 85% and 68 % for the 2013/2012 financial year compared to the projected rate of 80%.

The table below depicts the strategies implemented in the 2014/2013 financial year to achieve this objective and the results thereof as outlined in the finance department performance report:

<b>Strategy</b>	<b>KPA</b>	<b>KPI</b>	<b>Target</b>	<b>Actual</b>
Revenue enhancement	Collection rate	a) Percentage collection rate b) Percentage increase in the proportion of consumers paying in full vs. the number of consumers billed	a) a) 85% b) b) 45%	a) 75% b) 39%
Revenue	Credit control and	% of overdue	95%	95%



enhancement	debt management	accounts to be restricted submitted to Technical Services per month		
Revenue enhancement	Outstanding debt management	R debtors outstanding as a % of revenue received for services	200%	229%
Revenue enhancement	Debtors control	% of debtors over 120 days handed over for collection	80%	26%
Update the indigent register	Indigent Register	a) 2012/2013 Indigent register approved by deadline b) Review and approval of indigent policy by deadline	a) Sept 2013 b) June 2014	a) Done monthly b) 29 May 2014

### 3. SUPPLY CHAIN MANAGEMENT

Two objectives falls under this unit i.e. Implement and maintain compliant and efficient financial management practices that increase financial viability of the municipality and be the best financially managed district municipality in the world.

As mentioned earlier, Ilembe District Municipality's goal is clean audit administration and; compliance with laws and regulations is one of the corner stones of clean administration.

Ilembe District Municipality had no audit findings on non-compliance with SCM policy and regulations; other than the common finding on awards to people in service of the state that is currently outside the control of the municipality.

In 2012/2011 financial year; the preparation of the annual procurement plan was introduced to all user departments within the municipality, this resulted amongst other things in the increase in capital spending and reduction in SCM audit findings.

The current challenge is finalising the bid processes within 120 days due a number of issues including objections from unsuccessful bidders.

The contract management section within the SCM unit has been established in the 2013/2012 financial year to monitor performance of consultants and contractors and other service providers amongst other things.

The table below depicts the strategies implemented in the 2014/2013 financial year to achieve this objective and the results thereof as outlined in the finance department performance report:

<b>Strategy</b>	<b>KPA</b>	<b>KPI</b>	<b>Target</b>	<b>Actual</b>
Demand Management	Implementation of Annual Procurement Plan	Percentage implementation of Annual procurement plan by deadline	100% by June 2014	86%
Acquisition Management	Procurement time in line with the SCM policy	a) Turnaround time for the SCM processes in recommending preferred supply to Departments (quotations, adverts etc.) (Between R30 000 & R200 000) b) Turnaround time for the SCM processes in recommending preferred supply to Departments (quotations, adverts etc.) (Between R2000 and R29 999)	a) 10 days b) 5 days	a) 10 days b) 3 days
Acquisition Management	Compliance with the SCM policy	Turnaround time for processing all the bids	120 days	142 days
Contract Management	Management of service providers	Quarterly reports on external service providers	4	8 (started doing it monthly towards the end of the financial year)
Contract Management	Regular update of the contract register	Number of contract registers completed and updated monthly	12	12

#### 4. ASSETS AND LOGISTICS MANAGEMENT

Two objectives falls under this unit i.e. Implement and maintain compliant and efficient financial management practices that increase financial viability of the municipality and be the best financially managed district municipality in the world.

As mentioned earlier, due to the materiality of the ILembe District Municipality's asset base of over a billion, it became necessary to establish the asset and logistics management unit in the 2013/2012 financial year.

Most of the material audit findings in 2013/12 financial year were on asset management. In the 2014/13 financial year there were no audit findings on asset management.

The sustainability of IDM is highly dependent on the condition and performance of the infrastructure assets. Should any of the major assets collapse and not operate, the municipality will not be able to achieve its mandate.

The table below depicts the strategies implemented in the 2014/2013 financial year to achieve this objective and the results thereof as outlined in the finance department performance report:

Strategy	KPA	KPI	Target	Actual
To ensure safeguarding of the Municipality's assets	Asset Management	a) Frequency of asset verification on movable assets b) Frequency of updating the asset register	a)Quarterly b) Monthly	a)Quarterly b) Monthly
To ensure the proper management of store	Asset Management	a) Frequency of stock take b) Turnaround time to resolve variances	a) 11 b) 14 days	a) 10 b) 14 days

#### 5. EXPENDITURE AND CASH FLOW MANAGEMENT

Two objectives fall under this unit i.e. to Implement and maintain compliant and efficient financial management practices that increase financial viability of the municipality and be the best financially managed district municipality in the world.

In terms of **section 152 (2) of the Constitution** of South Africa, a municipality must strive, within its financial and administrative capacity, to achieve the objects set out in subsection (1). The requirement for increased financial viability is very important in order for ILembe District Municipality to fulfill its

constitutional mandate as outlined above. Without financial viability, IDM cannot fulfill its objectives and its vision to provide excellent service and quality of life for its people.

As mentioned under the budget and compliance monitoring section, IDM has taken a very conservative approach in its 2014/2013 budget. An expenditure Management Committee was established in the 2012/2011 financial year to monitor spending and cash flows. For the 2014/2013 financial year, austerity measures were put in place to monitor spending.

Over expenditure on grant funded capital projects has been a challenge for both 2014/2013 and 2013/2012 respectively. This exerts a lot of strain on the cash flows of the municipality as the additional cash required to fund the over expenditure is not budgeted for. The prior year accumulated surpluses are currently not cash backed due to low collection rate on consumer debtors.

The following strategies have been implemented in an attempt to solve the over expenditure capital projects:

- User departments have been requested to split their grant allocation into planned projects and each project allocated a sub-vote during the budget process
- Budget availability is cleared before commencement of SCM processes i.e. no bid awards are made where budget is not available
- Purchase orders are only processed where budget is available
- Contract management unit has been established with the SCM unit to monitor supplier performance
- Expenditure Management Committee is in place
- As of 2015/2014 financial year, the municipality is focusing on building acceptable cash reserves.

The table below depicts the strategies implemented in the 2012/2013 financial year to achieve this objective and the results thereof as outlined in the finance department performance report:

<b>Strategy</b>	<b>KPA</b>	<b>KPI</b>	<b>Target</b>	<b>Actual</b>
To ensure liquidity of the municipality	Debt coverage	Debt coverage ratio (Total operating revenue received - operating grants received/debt service payment due including interest & capital)	Maintain 12: 1	14:01
To ensure the sustainability of the municipal	Management of cash flow	Cash flow Management (Ability of council to meet its financial obligations)	60 days cash on hand	8 days

finances			(Range between 30 and 60 days with 60 days being ideal)	
To ensure the sustainability of the municipal finances	Cost Coverage	Cost Coverage ratio (All available cash + investments on operations bank accounts/monthly fixed operating expenditure)	4:1	0.3:1
To ensure adequate financial management	Payment of creditors	% of claims with no outstanding issues submitted to Finance paid within 30 days	100%	88%

There were no significant changes in the ILembe District Municipality's financial viability objectives from the previous financial years. There was however, a significant refinement in the strategies put in place to achieve the objectives and to how the achievement of these objectives would be measured and over what time period progress would be measured.

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### 3. ANALYSIS OF ILEMBE DISTRICT MUNICIPALITY'S FINANCIAL STATEMENTS INCLUDING SIGNIFICANT CHANGES AND TRENDS IN THE FINANCIAL POSITION, FINANCIAL PERFORMANCE AND CASHFLOWS

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The following analysis of trends includes those financial items that are important and significant to gaining a better understanding of the financial position, financial performance and cash flows and changes in financial position, financial performance and cash flows over the 2014/2013 financial year.

It also describes the significant items, transactions and events that have affected the financial position, financial performance and cash flows of Ilembe District Municipality in the 2014/2013 financial year.

#### **a) ANALYSIS OF SIGNIFICANT CHANGES AND TRENDS IN ILEMBE DISTRICT MUNICIPALITY'S FINANCIAL POSITION, FINANCIAL PERFORMANCE AND CASH FLOWS**

The analysis is broken down into financial position, financial performance and cash flows.

##### **(i) Financial Position**

The Ilembe District Municipality was in a net assets position as at 30 June 2014 i.e. the total assets exceeded the total liabilities by over a billion rand. The following financial items presented in the statement of financial position of the District Municipality are important and significant in gaining the understanding of the financial position of IDM:

##### Property, plant and equipment

Property, plant and equipment account for 98% of the total assets. It has decreased by 4% compared to the prior year.

##### Trade and other payables from exchange transactions

Trade and other payables from exchange transactions account for 86% of the total current liabilities. It has increased by 29% compared to the prior due to significant increase in capital expenditure in the month of June.

##### Borrowings

There were no significant changes in the IDM's borrowings in the 2014/2013 financial year.

#### Trade and other receivables from exchange transactions

Trade and other receivables from exchange transactions account for 61% of the total current assets. It has increased by 31% compared to the prior year. The debt write –off decreased by 70% compared to the prior year and the provision for bad debts also slightly decreased compared to the prior year.

#### Trade and other receivables from non-exchange transactions

Trade and other receivables from non-exchange transactions comprises of amounts owed by Department of Water Affairs and Kwadukuza Local Municipality to Ilembe District Municipality. IDM Bridge financed capital projects funded by contributions from the above mentioned organs of the state.

#### Trade and other payables from non-exchange transactions

Trade and other payables from non-exchange transactions comprises of unspent conditional grants. This amount has increased by 165% compared to the prior year. This is due to increase in grant funding and poor performance of certain contractors on capital projects which resulted lower expenditure than anticipated.

### **(ii) Financial Performance**

Ilembe District Municipality had an overall deficit of R74 million in the 2014/2013, the deficit of R74 million includes impairment of infrastructure asset of over R220 million.

The following financial items presented in the statement of financial performance of the Ilembe District Municipality are important and significant in gaining the understanding of the financial performance of IDM:

#### Government grants and subsidies

IDM is currently dependent on Grants and Subsidies. Grants and subsidies account for 79% of the total revenue in the 2014/2013 year.

#### Revenue from exchange transactions

Revenue from exchange transactions increased by 26% compared to the prior year.

#### Employee related costs

Employee related costs account for 17% of the total operating expenditure. It has increased by 29% compared to the prior year.

#### Depreciation, impairment and amortization

Depreciation, impairment and amortization accounts for 43% of the operating expenditure and has increased by 1258% compared to prior year. The main reason for the increase is the impairment loss of R229 million.

The municipality has incurred a material infrastructure asset impairment losses in the current year due to significant decrease in the remaining useful lives and recoverable amounts of these assets. This has resulted in the municipality incurring an overall deficit of R74 million in the current financial year.

The finance department is closely working with the technical services department in addressing this challenge. Furthermore a firm of engineers has been engaged to conduct a full conditional assessment of infrastructure assets for the 2015/2014 financial year and to also compile a preventative maintenance plan.

#### General expenses

General expenses comprises mainly of electricity and water, fuel and oil, LED expenditure, telephone costs, audit fees and various other expenditure items. It accounts for 10% of the operating expenditure and has increased by 16% compared to prior year.

#### Bulk purchases

The Bulk purchases relate to bulk water purchases and it accounts for 9% of the operating expenditure. This expenditure item has increased by 21% compared to the prior year.

#### Contracted services

Contracted services mainly consist of security costs, management contract with WSSA, vehicle and plant hire costs. It accounts for 8% of the operating expenditure and has increased by 26% compared to the prior year.

### **(iii) Cash flows**

The District Municipality was in a positive net cash and cash equivalent position of R45 million as at 30 June 2014.



The following financial items presented in the cash flow statement are important and significant in gaining the understanding of the cash flow position of IDM:

Grant receipts

Grant receipts account for 83% of total cash inflows and have increased by 12% compared to the prior year.

Sales of goods and services/ receipts from consumer debtors

Receipts from consumer debtors account for 17 % of the total cash inflows and has increased by 29% compared to the prior year.

Purchase of fixed assets/ capital expenditure

Investment in assets/ capital expenditure payments account for 44% of the total cash outflows and has increased by 1% compared to the prior year.

Payments to suppliers

Payments to suppliers account for 36% of the total cash outflows and has increased by 14% compared to the prior year.

Employee costs

Payment to employees account for 20% of the total cash outflows and has increased by 27% compared to the prior year.

**b) DESCRIPTION OF SIGNIFICANT ITEMS, TRANSACTIONS AND EVENTS THAT HAVE AFFECTED THE FINANCIAL POSITION, FINANCIAL PERFORMANCE AND CASH FLOWS**

The analysis relate to the financial position, financial performance and cash flows.

**(iii) Financial Position**

The following significant items, transactions and events affected the financial position of IDM:

Infrastructure asset impairment

The overall asset impairment of R229 million resulted in the decrease in the carrying amount of Property, plant and equipment.

#### Delays in payments from the Department of Water Affairs and Kwadukuza Municipality

The Department of Water Affairs and Kwadukuza Local Municipality owed Ilembe District Municipality in excess of R19 million as at 30 June 2014 for capital expenditure.

#### Increase in consumer debtors and consumer debt impairment

The Consumer debtors increased considerably in 2014/2013 financial year. One of the major reasons for the increase in consumer debtors is the increase in billing on restricted, handed over and deceased consumer accounts. The increase in billing on restricted accounts is mainly due to the ineffectiveness of the current restricting device used by IDM. This device is in the process of being changed in the 2015/2014 financial year. The District Municipality is currently implementing a process of forwarding Notices to consumers who have taken over deceased consumer accounts and are not paying the council. These consumers were requested to come forward to take over the accounts, failing which, the water meters will be removed and supply of water disconnected.

A total debt impairment of R21million was incurred in 2014/2013 financial and this has decreased by 70% compared to the prior year.

#### **(iv) Financial Performance**

The following significant items, transactions and events affected the financial performance of IDM:

- Decrease in grant and subsidy allocations;
- Decrease in interest on outstanding debt ;
- Increase in other income;
- Increase in employee costs;
- Decrease in provision for bad debts;
- Decrease in repairs and maintenance;
- Spring Grove capital charge on bulk purchases which does not benefit Ilembe District Municipality. The matter has been taken up with the Minister of Water Affairs, KZN Premier and MEC COGTA;
- Increase in contracted services and general expenses; and
- Austerity measures implemented by the Expenditure Management Committee

#### **(iv) Cash flows**

The following significant items, transactions and events affected the cash flow position of IDM:

- Increase in internally funded capital expenditure;
- Over expenditure on grant funded capital expenditure requiring subsidized internal funding;
- Delay in the implementation of the intelligent meter project;
- Low revenue and debt collection rate; and
- General increase in investment in assets

#### **c) SIGNIFICANT FINANCIAL RATIO ANALYSIS**

The Annual Financial Statement s (AFS) becomes more meaningful when information is analyzed and interpreted. The objective of this section is to provide an analysis of the financial position, financial performance and cash flows of the Ilembe District Municipality by performing ratio analysis specific to local government. This exercise also assesses the financial strength of the Ilembe District Municipality. These ratios, as applied, provide interpretation methodologies that will add significant value when benchmarked against similar municipalities. These ratios are grouped into three (3) categories i.e. Revenue and Expenditure management, Asset management and Debt/Liability management.

##### **(i) Revenue and expenditure management**

##### **Ratio 1: Actual revenue versus budgeted revenue**

The purpose of this ratio is to measure the extent of Actual Operating Revenue (Excl. Capital Grant Revenue) received in relation to Budgeted Operating Revenue during the financial year under review. The acceptable norm is 95%.

The formula is Actual Operating Revenue / Budgeted Operating Revenue x 100.

##### **Analysis**

The District Municipality has achieved an overall 100% of its budgeted operating revenue in the 2014/2013 financial year compared to 98% in the 2013/2012 financial year. The explanations for the variances in excess of 10% per line item are explained in the Statement of Comparison of Budget and Actual Amounts in the 2014/2013 Annual Financial Statements.

##### **Ratio 2: Level of reliance on government grants**

The purpose of this ratio is to determine what percentage of the municipality's revenue is made up of government grants to determine the level of reliance on government funding by the municipality. Generally, district municipalities are more reliant on grants and subsidies than the metros and local

municipalities due to the fact that the district municipalities do not have an adequate revenue base as well as the discontinuation of RSC levies.

The formula is (Grants and subsidies/ Total Revenue).

### **Analysis**

The District Municipality is reliant on government grants and subsidies. In the 2014/13 financial year IDM was 79% reliant on government grants and 82% in the 2013/2012. The reliance appears to have decreased compared to the prior year. The apparent decrease is due to increase in unspent conditional grants and other income.

### **Ratio 3: Actual expenditure versus budgeted expenditure**

The purpose of this ratio is to measure the extent to which Budgeted Expenditure has been spent during the financial year under review. The ratio also assess whether the municipality has effective controls in place to ensure that expenditure is incurred in accordance with an approved budget. The acceptable norm is 95%

The formula is (Actual expenditure – budgeted Expenditure)/ Budgeted Expenditure.

### **Analysis**

The percentage spending for 2014/13 was 93% (2013/12: 98%) and 163% (2013/12: 92%) for capital and operating expenditure respectively. The reason for the significant increase in operating expenditure spending is as result of the R229 million asset impairment.

### **Ratio 4: Personnel expenditure as a percentage of total expenditure**

The purpose of this ratio is to indicate what percentage of total expenditure is attributable to personnel costs. It must be stated that the National Treasury guideline is 25 – 40%.

The formula is (Salaries, wages and allowances/ Total operational expenditure).

### **Analysis**

The ratio for the 2014/2013 financial year is 17% compared to the ratio of 25% in the previous financial year and it is below the National Treasury guideline of 25 – 40%. The reason for the apparent decrease

in the ratio is due to the fact that the overall operating expenditure for 2014/13 includes abnormal impairment loss of R229 million.

#### **Ratio 5: Interest as a percentage of total operating expenditure**

The purpose of this ratio is to indicate the cost required to service the borrowing. It assesses the Borrowing or Payment obligation expressed as a percentage of Total Operating Expenditure. The acceptable norm is between 6 and 8%.

The formula is Capital Cost (Interest Paid and Redemption) / Total Operating Expenditure x 100.

#### **Analysis**

The ratio for the 2014/2013 financial year is 2% compared to the ratio of 3% in the previous financial year and it is below the National Treasury guideline of 6 – 8%. The reason for the apparent decrease in the ratio is due to the fact that the overall operating expenditure for 2014/13 includes abnormal impairment loss of R229 million.

The low ratio reported indicates that Ilembe District Municipality is less dependent on external borrowings.

#### **Ratio 6: Repairs and maintenance as a percentage of total expenditure**

The purpose of this ratio is to measure the level of repairs and maintenance to ensure adequate maintenance to prevent breakdowns and interruptions to service delivery. Repairs and maintenance of municipal assets is required to ensure the continued provision of services. National Treasury guideline is 8%.

The formula is Total Repairs and Maintenance Expenditure / Property, Plant and Equipment and Investment Property (Carrying Value) x 100

#### **Analysis**

The ratio for both 2014/2013 and 2013/2012 financial years is 3%. This ratio is below the National Treasury guideline of 8%.

The Finance and Technical Services department are working closely to develop a preventative enterprise asset maintenance plan with financial implications in order establish the amount required each financial year to maintain its Property, plant and equipment and budget accordingly.

## (ii) Asset Management

### **Ratio 7: Capital expenditure to total expenditure**

The purpose of this ratio is to assess the level of Capital Expenditure to Total Expenditure, which indicates the prioritization of expenditure towards current operations *versus* future capacity in terms of Municipal Services. The formula is  $\text{Total Capital Expenditure} / \text{Total Expenditure (Total Operating Expenditure + Capital Expenditure)} \times 100$ . The norm is between 10 and 20%.

#### **Analysis**

The ratio for the 2014/2013 financial year is 27% the prior year ratio is 41%. Both ratios are above the treasury guideline of between 10 – 20%.

### **Ratio 8: Asset Turnover Ratios**

The purpose of these ratios is to establish the municipality's efficiency in utilizing its assets to generate revenue. It indicates how successful the municipality is using its assets to generate revenue. The National Treasury has not yet issued a guideline on the acceptable norm in the Local Government space. A higher ratio indicates that the municipality is using its assets efficiently; a lower rate indicates that the municipality is not using its assets optimally. Total asset turnover ratio is the key driver on return on community wealth/net assets.

There are a number of variants of the ratio like total assets turnover ratio, fixed assets turnover ratio and working capital turnover ratio. In all cases the numerator is the same i.e. net revenue from exchange transactions but the denominator is not the same i.e. average total assets, average fixed assets and average working capital.

For the purposes of this report the following formulas are used to calculate asset turnover ratios:

1. Total Assets Turnover Ratio :  $\text{Net Revenue from Exchange Transactions} / \text{Average total assets}$
2. Fixed Assets Turnover Ratio:  $\text{Net Revenue from Exchange Transactions} / \text{Average fixed assets}$
3. Working Capital Turnover Ratio

#### **Analysis**

1. Total Assets Turnover Ratio

The ratio for the 2014/2013 financial year is 12% and it has increased by 1% compared to the prior year ratio of 11%.

Although there is currently no standard acceptable norm for total assets turnover ratio, IDM's ratio is quite low and a great improvement is required to optimally use the council assets to generate revenue.

A number of revenue enhancement and debt collection strategies are under way and are expected to improve this ratio considerably.

## 2. Fixed Assets Turnover Ratio

Ilembe District Municipality's ratio for the 2014/2013 financial year is 14% and it has increased by 2% compared to the prior year ratio of 12%.

## 3. Working Capital Turnover Ratio

The ratio for both financial years is negative. The reason for the negative working capital is due to increase in Bad debts write-off and provision, which decreased net debtors considerable. The increase in debt write-off and provision is due low debt collection rate.

This ratio indicates that IDM is struggling to convert revenue into cash in order to increase the available working capital. As mentioned above, there are a number of debt collection initiatives that are currently under way to improve the situation.

### **Ratio 9: Debtors collection period**

This ratio adjusts for Municipality's who have had significant write-offs of Irrecoverable Debtor balances in the Gross Debtors Days analysis as it only assesses the performance of collectable Debtors. In addition, it provides an indication of the quality of credit control policy, effectiveness of the implementation thereof and quality of revenue management. If the ratio is above the norm, this indicates that the Municipality is exposed to significant Cash Flow risk. This is also an indication that the municipality is experiencing challenges in the collection of outstanding amounts due to it. This also indicates that a significant amount of potential cash is tied up in consumer debtors and the municipality must improve its revenue and cash flow management. The acceptable norm as per National Treasury is 30 days.

The formula is  $(\text{Consumer debtors after provision for bad debts} \times 365 / \text{Service Revenue})$

### **Analysis**

The ratio for the 2014/2013 is 323 days has increased by 68 days compared to the prior year ratio of 255 days.

This ratio is very high compared to the norm of 30 days. It is actually 11 times more than the acceptable norm.

As mentioned previously the District Municipality has started implementing the intelligent meter project and other various debt collection initiatives in order to turn the current situation around.

### **Overall asset management analysis**

Although capital spending and/or investments in assets are high, there is a major underutilization of assets to provide optimal return on community wealth. The assets under construction of R507 million is quite high compared to the total fixed assets of R1 billion i.e. approximately 51% of IDM's fixed assets are under construction and are not yet generating revenue. It is also taking too long to convert the generated revenue into cash, which has exerted a major strain on the working capital.

#### **(iii) Debt/Liability Management and/or Solvency and Liquidity ratios**

### **Ratio 10: Acid Test Ratio**

The purpose of this ratio is to indicate the municipality's ability to meet its short term obligation using its most liquid assets. The acceptable norm is 1: 1.

The formula is (Current Assets – Inventory)/ Current liabilities.

### **Analysis**

The ratio for the 2014/2013 financial year is 0.83:1 and the prior year ratio was 0.98:1. Both ratios are below the acceptable norm of 1:1, the low ratio is due to the high provision for bad debts and increase in creditors. This ratio should improve as debt and revenue collection initiatives start yielding results.

### **Ratio 11: Current Ratio**

The purpose of this ratio is to indicate the municipality's ability to meet its short term obligation using all its liquid assets. The higher the current Ratio, the more capable the Municipality or Municipal Entity will be to pay its current or short-term obligations and provide for a risk cover to enable it to continue operations at desired levels. A financial ratio under 1 suggests that the Municipality or Municipal Entity would be unable to pay all its current or short-term obligations if they all fall due at any specific point.



Current assets must therefore be increased to appropriately cover current liabilities otherwise there is a risk that non-current assets will need to be liquidated to settle current liabilities

The acceptable norm is 1.5: 1 to 2:1.

The formula is Current Assets/ Current liabilities.

### **Analysis**

The ratio for the 2014/2013 financial year is 0.86:1 and the prior year ratio was 1:1. The ratio is below the acceptable norm of 1.5:1 to 2:1, due to the high provision for bad debts and increase in creditors. This ratio should improve as debt and revenue collection initiatives start yielding results.

### **Ratio 12: Total Liabilities as a percentage of total assets (Debt Ratio)**

The purpose of this ratio is to indicate how much the municipality relies on debt to finance its assets. Maximum norm values is 60 – 70%

The formula is Total Liabilities/ Total Assets.

### **Analysis**

The ratio for the 2014/2013 financial year is 23%; and 19% for the prior year. The ratio shows that IDM does not rely on debt to finance its assets and it has a capacity of up to 47% to incur more debt.

IDM should consider the impact of taking on more debt on its liquidity position.

### **Ratio 13: Total Liabilities as a percentage of Net Assets (Debt to Equity Ratio)**

The purpose of this ratio is to indicate the municipality's financial standing. Optimal debt to equity ratio is considered to be 1 i.e. Liabilities = Assets. A ratio higher than 1; may indicate that the municipality may not be able to generate enough cash to satisfy its obligations.

The formula is Total Liabilities/ Net Assets.

### **Analysis**

The ratio for the 2014/2013 financial year is 0.30 and the prior year ratio is 0.23. The ratio shows that IDM's financial standing is good as it has more than enough assets to convert into cash to meet its obligations.

### **Overall debt/liability management analysis**

Overall debt/liability management is considered good. A great improvement is required on the liquidity management.

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4. THE PRINCIPAL RISKS AND UNCERTAINTIES THAT AFFECT ITS FINANCIAL POSITION, FINANCIAL PERFORMANCE AND CASH FLOWS, CHANGES SINCE THE LAST REPORTING DATE AND ITS STRATEGIES FOR BEARING OR MITIGATING THOSE RISKS AND UNCERTAINTIES

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The purpose of this section is to discuss Ilembe District Municipality's principal risks and uncertainties that affects its financial position, financial performance and cash flows and includes an explanation of how this relates to the objectives and strategies of the municipality. It also includes an explanation of how IDM manages its principal risks and uncertainties.

**a) PRINCIPAL RISKS AND UNCERTAINTIES AND HOW THEY RELATE TO THE OBJECTIVES AND STRATEGIES**

The principal risks and uncertainties affecting its financial position, financial performance and cash flows as disclosed in note 40 of the 2014/2013 Separate Annual Financial Statements are as follows:

**(i) Maximum credit risk exposure**

The Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation and cause the municipality a financial loss.

The items in the Annual Financial Statements that are exposed to credit risks are mainly cash deposits, cash equivalents and trade debtors. Credit risk, if not managed properly, may hinder the objective to increase its collection rate, improve net revenue collected, manage debtors' book efficiently and increase the financial viability. The strategies of revenue enhancement, credit and debt collection management, indigent management, cash flow and investment management relates management of the credit risk exposure.

**(ii) Liquidity risk**

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due.

IDM's liquidity risk is as a result of the need for sufficient funds to be available to meet its liabilities when they fall due without incurring unacceptable losses or risking damage to the municipality's reputation. Liquidity risk, if not managed properly, may hinder the objective to increase its financial viability and to ensure that the municipality is solvent and able to cover its costs at any and all times. IDM's strategies of cost and debt coverage management, cash flow and expenditure management and payment of creditors relates to management of the liquidity risk.

**(iii) Interest rate risk**

Interest rate risk is the risk that the municipality will incur loss due to adverse changes in interest rates. The IDM's interest rate risk arises from long – term borrowings. DBSA and finance lease borrowings issued at variable rates exposes the municipality to cash flow interest rate risk. ABSA loan issued at fixed rate expose the municipality to fair value interest rate risk.

The debt ratio is very good; therefore, interest rate risk is accepted as insignificant.

**(iv) Foreign currency risk**

Foreign currency risk is the risk that the municipality will incur loss due to fluctuating foreign exchange rate. IDM's foreign currency risk arises from the three year contract it has entered into with Microsoft US for Microsoft share point and licences.

This risk is currently accepted as insignificant.

**b) HOW ILEMBE DISTRICT MUNICIPALITY MANAGES ITS RISKS AND UNCERTAINTIES**

The District Municipality manages its principal risks and uncertainties affecting its financial position, financial performance and cash flows as disclosed in notes 39 and 42 of the 2012/2013 Annual Financial Statements as follows:

**(i) Maximum credit risk exposure**

IDM only deposits cash with major banks with high quality credit standing and limits its exposure to any one counter-party i.e. Cash deposits/investments are diversified and are not put into one basket.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an on-going basis. If consumers are independently rated, these ratings are used.

Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. There is also an indigent programme in place to support vulnerable groups. The intelligent meter project is also currently underway and it aims to mitigate the credit risk relating to consumer debtors.

**(ii) Liquidity risk**

The approach to managing liquidity risk is to ensure that sufficient liquid assets are available to meet its liabilities when they fall due without unacceptable losses or risking damage to the municipality's reputation.

The District Municipality manages its liquidity risk through on-going review of future commitments and credit facilities. Cash flow forecasts are prepared and monitored and adequate utilised borrowing facilities are monitored. Expenditure Management Committee is also in place to manage amongst other things, liquidity risk.

The liabilities must be backed by appropriate assets and significant liquid resource.

## CHAPTER 7 AUDIT COMMITTEE REPORT - 2013/2014

### REPORT OF THE AUDIT COMMITTEE TO THE COUNCIL OF ILEMBE DISTRICT MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2014

The iLembe District Municipality Audit Committee presents its report to the Council for the year ended 30 June 2014, below.

The legal responsibilities of the Audit Committee are set out in terms of the Municipal Finance Management Act, No. 56 of 2003 (Section 166).

#### Audit Committee members and attendance at meetings

The Audit Committee comprised of 4 independent, external members and is required to meet at least 4 times per annum as per the Audit Committee Charter. Additional meetings may be called for as the need arises. Members' attendance at the meetings is listed below:

<u>Name</u>	<u>No of Meetings Attended</u>	<u>23 Aug 2013</u>	<u>08 Nov 2013</u>	<u>30 Jan 2014</u>	<u>31 Jan 2014</u>	<u>23 Jun 2014</u>	<u>24 Jun 2014</u>
Mrs. C Jugnarayan (Chairperson)	6	✓	✓	✓	✓	✓	✓
Mr. D Bosch (Deputy Chairperson)	5	✓	✓	✓	✓	✓	
Mr. J Muir	6	✓	✓	✓	✓	✓	✓
Mr. S Nel	3		✓			✓	✓

The Mayor of the Municipality and the Chairperson of the Municipal Public Accounts Committee (MPAC) are invited to the Audit Committee meetings.

#### Audit Committee responsibility

The Audit Committee has been set up in accordance with the Municipal Finance Management Act, No. 56 of 2003 (Section 166) and operates within the terms of the Audit Committee Charter approved by the Council of the iLembe District Municipality.

Section 121(4)(g) of the Municipal Finance Management Act, No. 56 of 2003 requires that the annual report must include any recommendations of the Municipality's Audit Committee

#### In the conduct of its duties, the Audit Committee has performed the following statutory duties:

##### 1. Reviewed internal financial control and internal audits

The internal audit function was operational for the reporting period.

The internal audit plan for the financial year ending 30 June 2014 was presented and accepted by the Audit Committee. The plan also included the hours for each audit in terms of capacity needed and capacity available. The Audit Committee at each meeting; assesses performance against the plan and reviews the plan to ensure that critical risks of the operations of the Municipality and the findings of the Auditor-General are addressed.

Eighteen reports, including the four performance internal audit reports for the Municipality and the Entity respectively, were completed and tabled at the Audit Committee meetings held during the reporting period. A further 3 reports were completed during the year and were due to be tabled at the next meeting.

The internal audit reports include recommendations to improve internal controls together with agreed management action plans to resolve the issues reported on. To further enhance the processes in place, internal audit conducts follow up audits on previously reported internal audit findings and report progress to senior management and the Audit Committee.

The Audit Committee has expressed concern that the overall internal audit conclusions indicated an inadequate control framework resulting in significant control weaknesses being noted in certain areas. Management is required to implement appropriate systems of internal controls and corrective action to address the identified weaknesses and possible irregularities, which Management have fully accepted. Although there are controls in place, the existing systems and procedures require enhancement and continued monitoring.

#### Investigations:

The Audit Committee has noted in its meetings progress on the implementation of the recommendations of three forensic investigations.

## **2. Risk Management**

The Risk Management Committee has been operational for the reporting period. The Enterprise Risk Manager provides the Audit Committee at each of its meetings, with a progress report on the risk management process.

The Municipality conducted a risk assessment workshop in April/May 2014 and the top key risks were identified, measured and prioritised. The Risk Management Committee, at its meeting held on 14 July 2014, discussed and approved the risk register. The updated risk register was scheduled to be tabled at EXCO on 25 August 2014.

The internal auditors will draft the internal audit plan for 2014/2015 using the revised risk register.

## **3. Review of financial statements and Accounting Policies.**

The Audit Committee expressed dissatisfaction that the annual financial statements, as at 30 June 2014, were not submitted in terms of the recommended timeframes of the Audit Committee Charter to the members of the Audit Committee.

The Audit Committee, during its high-level review of the financial statements of the Municipality for the year ended 30 June 2014, considered the appropriateness, adoption and consistent application of the South African Statement of Generally Recognised Accounting Practices (GRAP).

The Audit Committee at its meetings held on 27 & 30 August 2014, discussed, provided comments and recommendations to amend the annual financial statements. At 27 August aspects around completeness, existence and GRAP compliance for property, plant and equipment was incomplete and had yet to be finalised. It was further noted that Council approval was still to be sought in respect significant journals to be processed relating to material sewer revenue losses and impairment of assets.

The Committee expressed concern that internal audit had not provided a report on the findings of their review of the annual financial statements.

The Audit Committee recommended that the annual financial statements be revised, audited by internal audit and submitted to the Auditor-General as required.

#### **4. *The adequacy, reliability and accuracy of financial reporting and information***

No information was furnished by Internal Audit, the Auditor-General and Management itself, that caused the Audit Committee to believe that the Municipality's system of internal financial control is not effective and does not form a basis for the preparation of reliable financial statements.

#### **5. *Performance Management***

The Audit Committee also serves as the performance Audit Committee for ILembe District Municipality. The legal responsibilities of the Audit Committee in this regard are set out in terms of the Local Government: Municipal Planning and Performance Management Regulations 2001 (Section 14) (Regulations).

The Audit Committee reviewed the four quarterly performance reports and the internal audit report on performance management for 2013/2014 based on the Municipality's scorecard.

The Audit Committee is pleased to note that the overall internal audit ratings of the effectiveness of internal controls around performance management is satisfactory and controls are in place to provide management with reasonable assurance that risks will not materialize but there is a room for improvement.

The Audit Committee expressed concern on the stagnant overall performance. The Municipality achieved a 66% overall success rate on performance targets.

#### **6. *Effective Governance***

The Audit Committee has satisfied itself that the external auditor was independent of the Municipality, as required by the Public Audit Act, No. 25 of 2004.

The Audit Committee fulfils an oversight role regarding the Municipality's reporting process, including the system of internal financial control. It is responsible for ensuring that the Municipality's internal audit function is independent and has the necessary resources, standing and authority within the Municipality to enable it to discharge its duties. Furthermore, the Audit Committee oversees cooperation between the internal and external auditors, and serves as a link between the Council and these functions. The Audit Committee expressed concern that the communication, interaction and coordination between the parent municipality and its municipal entity was not always adequate.

The internal and external auditors have unlimited direct access to the Audit Committee, primarily through its chairperson.

#### **7. *Compliance with Legislation and Ethics***

The Audit Committee has noted instances of non-compliance with policies and procedures, the Municipal Finance Management Act and National Treasury Regulations.

The areas of non-compliance have been noted, mainly through the reports submitted by internal audit. In the internal audit reports, management have provided comments on the findings, recommendations and timing of the action thereof.

### **Recommendations**

- The Council and management need to urgently implement the policy and monitor controls over assets management;
- The Council and management need to further enhance internal controls over revenue management and SCM processes;
- Council should ensure that a proper, fully capacitated and competent internal audit function is in place.
- The Council and the accounting officer must ensure that quarterly internal audit reports on the performance management system are submitted timely for review by the Audit Committee;
- Management should ensure that accurate, reliable and complete financial and performance information is submitted quarterly for review by the Committee;
- The Council and Management should update the scorecard for managers to include that repeat audit findings impact on performance of responsible management; and
- Management should interact with the external auditors for interim audits with a view to identify and address shortcomings timely.
- Council should appoint Board members for the municipal entity as a matter of urgency.



## **Conclusion**

The Audit Committee again expresses concern that the overall internal audit conclusions indicated an inadequate control framework resulting in significant control weaknesses being noted in certain areas.

The Audit Committee is of the opinion that in addition to the recommendations to the Council, management is required to implement appropriate systems of internal controls and/or corrective action to address the agreed concerns as identified by both Internal Audit and the Auditor-General. The status of implementation of corrective measures is to be reported at every meeting of the Audit Committee to enable monitoring.

On behalf of the Audit Committee

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Mrs. Charmaine Jugnarayan  
Chairperson  
01 September 2014

# **REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND COUNCIL ON ILEMBE DISTRICT MUNICIPALITY**

## **REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS**

### **Introduction**

1. I have audited the consolidated and separate financial statements of the Ilembe District Municipality set out on pages ... to ..., which comprise the consolidated and separate statement of financial position as at 30 June 2014, the consolidated and separate statement of financial performance, statement of changes in net assets, the cash flow statement and the statement of comparison of budget information with actual information for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information.

### **Accounting officer's responsibility for the consolidated financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2013 (Act No. 2 of 2013) (DoRA). And for such internal control as the accounting officer determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor-general's responsibility**

3. My responsibility is to express an opinion on these consolidated and separate financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAIA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material

misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's and its entity's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's and its entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Opinion**

6. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the ILembe District Municipality as at 30 June 2014, and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA.

## **Emphasis of matters**

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

## **Material losses and impairment**

8. As disclosed in note 36.8 to the consolidated and separate financial statements, material water distribution losses of R34,88 million (11,19 million kilolitres) were incurred as a result of illegal connections, ageing infrastructure, reservoir overflows and service leaks.
9. As disclosed in note 36.7.2 to the consolidated and separate financial statements, council has incurred material debt impairment losses of R21,82 million written off against the provision for bad debts. This is mainly as a result of restricted inactive accounts that are accumulating interest with no corresponding payments and pensioner accounts and deceased consumer accounts that are accumulating interest. This write-off has resulted in a decrease in consumer debtors and provision for bad debts.

10. As disclosed in note 36.7.1 to the consolidated and separate financial statements, council has incurred material infrastructure asset impairment losses of R299,74 million in the current year due to a significant decrease in the remaining useful lives and recoverable amounts of these assets. This has resulted in the municipality realising an overall deficit in the current year.

## **Significant uncertainty**

11. With reference to note 39.2 to the consolidated and separate financial statements, the iLembe Management Development Enterprise (Pty) Ltd made representations with regard to a possible payment of output value-added tax (VAT) on grants received from its parent municipality.

## **Material under spending of the capital budget**

12. As disclosed in the statement of comparison of budget and actual amounts, the municipal entity has materially underspent the budget on capital expenditure to the amount of R23,07 million.

This has resulted in the entity not achieving all its planned service delivery targets for the year.

## **Additional matters**

13. I draw attention to the matters below. My opinion is not modified in respect of these matters.

## **Unaudited supplementary schedules**

14. The supplementary information set out on pages xx to xx does not form part of the consolidated and separate financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

## **Unaudited disclosure notes**

15. In terms of section 125(2) (e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the consolidated and separate financial statements and accordingly I do not express an opinion thereon.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

16. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for the selected objective presented in the annual performance report, compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters

## **Predetermined objectives**

17. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objective presented in the annual performance report of the municipality for the year ended 30 June 2014:

- **basic** service delivery and infrastructure, on pages x to x.

18. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

19. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework *for managing programme performance information*.

20. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

21. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected objectives.

## **Additional matters**

22. Although no material findings concerning the usefulness and reliability of the performance information were identified in the annual performance report. I draw attention to the matters below.

## **Achievement of planned targets**

23. Refer to the annual performance report on pages XX to XX for information on the achievement of the planned targets for the year.

## **Unaudited supplementary schedules**

24. The supplementary information set out on pages x to x does not form part of the annual performance report and is presented as additional information. I have not audited these schedules and, accordingly, I do not express a conclusion thereon.

## **Compliance with legislation**

25. I performed procedures to obtain evidence that the municipality had complied with legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

## **Internal control**

26. I considered internal control relevant to our audit of the consolidated and separate financial statements, the annual performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

## **OTHER REPORTS**

### **Investigations**

#### **Investigations in progress**

27. Provincial Internal Audit Services performed an investigation into alleged irregularities in respect of a security tender process. The investigation commenced in January 2013 and was finalised. Another investigation related to allegations of fraudulent issuing of clearance certificates to conveyors under the letterheads of the municipality. The investigation commenced in July 2011 and is still in progress. Furthermore, Provincial Internal Audit Services performed an investigation into allegations of fraud and corruption against senior officials. The investigation commenced in July 2012 and is still in progress.

#### **Investigations completed during the financial year**

28. Provincial Internal Audit Services performed an investigation into alleged irregularities relating to the 2011 SALGA games. The investigation

commenced in August 2012 and was finalized in August 2013. Provincial Internal Audit Services completed another investigation into allegations of fraud and corruption within procurement and payments (supply of water reservoir). The investigation commenced in August 2012 and was finalised in August 2013.

*Auditor-General*

**Pietermaritzburg,**

**12 December 2014**



**AUDITOR - GENERAL  
SOUTH AFRICA**

*Auditing to build public confidence*

## CHAPTER 9 CONSUMER DEBTOR ARREARS

As at 30 June 2014, Councilor E.L. Dube's account was in arrear as follows

Total	Outstanding less than 30 days	Outstanding more than 90 days
R1 372.00	R463.00	R909.00



## GLOSSARY

<b>Accessibility Indicators</b>	Explore whether the intended beneficiaries are able to access services or outputs.
<b>Accountability Documents</b>	Documents used by executive authorities to give “ <i>full and regular</i> ” reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
<b>Activities</b>	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe “ <i>what we do</i> ”.
<b>Activities</b>	The quantity of input or output relative to the need or demand.
<b>Annual Report</b>	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
<b>Approved Budget</b>	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
<b>Baseline</b>	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
<b>Basic municipal Service</b>	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
<b>Budget year</b>	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
<b>Cost indicators</b>	The overall cost or expenditure of producing a specified quantity of outputs.
<b>Distribution Indicators</b>	The distribution of capacity to deliver services.
<b>Financial Statements</b>	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
<b>General Key performance indicators</b>	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
<b>Impact</b>	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
<b>Inputs</b>	All the resources that contribute to the production and delivery of outputs. Inputs are “ <i>what we use to do the work</i> ”. They include finances, personnel, equipment and buildings.
<b>Integrated Development Plan (IDP)</b>	Set out municipal goals and development plans.

<b>National Key performance areas</b>	<ul style="list-style-type: none"> <li>• Service delivery &amp; infrastructure</li> <li>• Economic development</li> <li>• Municipal transformation and institutional development</li> <li>• Financial viability and management</li> <li>• Good governance and community participation</li> </ul>
<b>Outcomes</b>	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
<b>Outputs</b>	The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
<b>Outputs</b>	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)
<b>Performance Indicator</b>	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)
<b>Performance Information</b>	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.

<b>Performance Standards:</b>	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.
<b>Performance Targets:</b>	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
<b>Service Delivery Budget Implementation Plan</b>	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
<b>Vote:</b>	<p>One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area.</p> <p>Section 1 of the MFMA defines a "vote" as:</p> <p><i>a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or</i></p> <p><i>functional areas of the municipality; and</i></p> <p><i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</i></p>

## APPENDICES

### ORGANISATIONAL SCORECARD 2013/2014

As attached

As attached

## Notes

[illegible]

[illegible]

[illegible]





The Municipal  
Manager  
Ilembe House  
59/61 Mahatma  
Ghandi Street  
KwaDukuza  
4450

The Municipal  
Manager  
P.O. Box 1788  
KwaDukuza  
4450

## Organisational Scorecard 2013/2014 SDBIP - Annual Report

OUTCOME 9	NATIONAL KPA's	IDP OBJECTIVE	KPA	BACKLOG	BASELINE	KPI's	UNIT OF MEASURE	ANNUAL TARGET 2012/2013	ANNUAL ACTUAL 2012/2013	ANNUAL TARGET 2013/2014	ANNUAL ACTUAL 2013/2014	REASON FOR VARIANCE/ COMMENTS	CORRECTIVE MEASURE	PMS COMMENTS	EVIDENCE REF NUMBER	EVIDENCE	WEIGHTINGS	RESPONSIBLE DEPARTMENT
Improved access to basic services	Basic Service Delivery	Improve access to basic water services	Water Projects	38 320	2549hh	Number of new hh with access to water	Number	5452hh (was 8673hh)	2549hh	3841hh (was 4332hh)	857hh				1	Y	H	Technical Services Department
		Improve access to basic water services	Water backlog eradication	24%	25,60%	Percentage decrease in backlog eradication	Percentage	22,00%	25,60%	5% (was 17%)	0,68%	Delays in awarding of projects caused projects to commence late on site		Need CM	2	Y	H	Technical Services Department
		Improve access to basic sanitation services	Sanitation Projects	44 188	4103hh	Number of new hh with access to sanitation	Number	3812hh (was 3800hh)	4103hh	3528hh	4270hh				3	Y	H	Technical Services Department
		Improve access to basic sanitation services	Sanitation backlog eradication	28%	27,60%	Percentage decrease in backlog eradication	Percentage	28,00%	27,60%	2% (was 26%)	2,68%				4	Y	H	Technical Services Department
		Improve access to basic water services	Water Projects Expenditure	N/A	R157,133,547.33	Rand Value of expenditure - Water	Rand value	R226,600,000 (was R208,605,350)	R 223,409,640,87	R184,351,171 (was R210,263,160)	R 185 937 985,00				5	Y	H	Technical Services Department
		Improve access to basic sanitation services	Sanitation Projects Expenditure	N/A	R35,164,154.89	Rand Value of expenditure - Sanitation	Rand value	R39,200,000 (was R33,662,650)	R 47 673 749,03	R72,297,369 (was R75,560,527)	R 64 237 001,85				6	Y	H	Technical Services Department
		Improve access to basic water and sanitation services	Refurbishment	N/A	a) 100% b) R28,894,962	a) Percentage Progress in the implementation of repairs & maintenance plan b) Expenditure	Percentage and number	a) 100% b) R29,983,296 (was R19,983,000)	a) 100% b) R 28 894 962	a) 100% b) R25,254,440 (was R15,770,000)	a) 91.43% b) R 23 743 386				7	Y - Ref TS 42	H	Technical Services Department
		Monitor Siza Water concession contract	Siza Water Plan	N/A	Siza Water Contract signed	Draft 5 year review plan by deadline	Date	June 2013	Siza water contract is signed.	30 June 2014	Draft Done	Is ready but ongoing as a working document			8		H	Technical Services Department
		To improve the level of financial utilisation non-wasteful but for specified projects	Capital Expenditure	N/A	97%	Percentage of municipalities annual capital budget spent on agreed IDP projects	Percentage	100%	97%	100%	80%			Need RFV & CM	9	Y	H	Technical Services Department
		Improve response time to water and sanitation interruptions	Lembe DM specific Water Infrastructure	N/A	98% within 48hrs	Percentage of reported households responded with services reinstated within 48 hours on water	Percentage	98% within 48 hours	98%	100% within 48 hours	100%				10	Y	H	Technical Services Department
		Improve response time to water and sanitation interruptions	Lembe DM specific Sanitation Infrastructure	N/A	100% within 24hrs	Percentage of reported households responded with services reinstated within 24 hours on sanitation	Percentage	100% within 24 hours	100%	100% within 24 hours	100%				11	Y	H	Technical Services Department
		To provide excellent water quality that will meet or exceed the National Standards	Green drop status	N/A	New measure	Final assessments conducted for 2013/2014 FY for Green drop status by deadline	Date	85,00%	Awaiting results from DWA.	By end June 2014	Results received 04 July 2014. Overall score of 82.82 denoting	denoting good quality			12	Y	H	Technical Services Department
		To provide excellent water quality that will meet or exceed the National Standards	Blue drop status	N/A	New measure	Final assessments conducted for 2013/2014 FY for Blue drop status by deadline	Date	Maintain 95,38%	Awaiting results from DWA.	By end June 2014	Results received 04 July 2014. Overall score of 37.94 Risk Rating	Rating which means our Blue Drop is of lower risk			13	Y	H	Technical Services Department
		To improve the level of financial utilisation non-wasteful but for specified projects	Repairs & Maintenance	N/A	6,3%	% operational budget spent on repairs and Maintenance	Percentage	9% (was 10%)	6,3%	10%	9%			Need RFV & CM	14	Y	H	Technical Services Department
Improved Municipal Financial & Administrative Capabilities	Financial Viability and Management	To ensure effective management of budgeting process (realistic & credible)	Compile Budget for 2014/2015	N/A	29 May 2013	Approved fully funded Operating & Capital Budget for 2014/2015 by deadline	Date	30 June 2013	29 May 2013	30 June 2014	29 May 2014				15	Y	H	Finance Department
		To achieve a clean audit	Obtain Clean Audit for 2012/13	N/A	a) Unqualified audit report b) 56% c) 3	a) Clean audit report by the AG for 2012/13 b) % decrease in AGs findings c) No repeat findings	a) AG Report b) Percentage c) Number	a) Unqualified audit report by the AG for 2011/12 b) 25% c) 0	a) Unqualified audit report by the AG for 2012/13 b) 56% (excluding disputed findings) c) 3	a) Clean audit report by the AG for 2012/13 b) 25% c) 0	a) Unqualified Audit with other matters b) 0% c) 0	a) Material adjustment to AFS due reasons for derecognition of assets being provided during the audit. b) 3 of the 10 findings are disputed making the decrease in audit findings 30% c) Awards to people in service of the state is beyond the municipality's control, circular 62 has been complied with.	a) Technical Services has committed to work closely with finance to deal timeously with asset management issues b) The audit team has been changed for the 2013/2014 audit, hopefully this will address the differences in GRAP and policy interpretations c) Continue to comply with circular 62 until National Treasury finds a system to deal with this issue		a) Y b) Y c) Y	H	Finance Department	
		To ensure long-term financial viability and sustainability of Lembe District Municipality.	Capital Expenditure	N/A	100%	% quarterly capital expenditure as of planned expenditure (Actual capex/budgeted capex) x100	Percentage	100%	97%	100%	96%			Need RFV & CM	17	Y	M	Finance Department

ORGANISATIONAL SCORECARD 2013-2014




OUTCOME 9	NATIONAL KPA's	IDP OBJECTIVE	KPA	BACKLOG	BASELINE	KPI's	UNIT OF MEASURE	ANNUAL TARGET 2012/2013	ANNUAL ACTUAL 2012/2013	ANNUAL TARGET 2013/2014	ANNUAL ACTUAL 2013/2014	REASON FOR VARIANCE/ COMMENTS	CORRECTIVE MEASURE	PMS COMMENTS	EVIDENCE REF NUMBER	EVIDENCE	WEIGHTINGS	RESPONSIBLE DEPARTMENT
Improved Municipal Financial & Administrative Capabilities	Financial Viability and Management	To ensure long-term financial viability and sustainability of ILembe District Municipality.	Operational Expenditure	N/A	100%	% quarterly operational expenditure as of planned expenditure <i>(Actual opex /budgeted opex) x100</i>	Percentage	100%	96%	100%	89%			Need RFV & CM	18	Y	M	Finance Department
		To raise monthly collection rate on billings	Revenue Collection Rate	N/A	a) 68% b) 40%	a) Percentage collection rate b) Percentage increase in the proportion of consumers paying in full vs the number of consumers billed	Percentage	a) 80% b) 40%	a) 68% b) 40%	a) 85% b) 45%	a) 75% b) 39%	a) There was a delay in the implementation of the intelligent meter project b) some of the rand for rand and AOD customers have defaulted	Intelligent meter project began in October and high risk debtors are being prioritised and the debt collection strategy that was approved in January 2014 is now being implemented hence the improvement of 7% from the prior year.		19	a) Y b) Y	H	Finance Department
		To ensure compliance with SCM policy & regulations	Procurement time in the line with the SCM Policy	N/A	a) 8.9 days b) 4.35 days	a) Turnaround time for the SCM processes in recommending preferred bidders to Departments (quotations, adverts etc) (Between R30 000 & R200 000) b) Turnaround time for the SCM processes in recommending preferred bidders to Departments (quotations, adverts etc) (Between R2000 and R29 999)	Number of days	a) 10 days b) 4.35 days	a) 8.9 days b) 4.35 days	a) 10 days b) 5 days	a) 10 days b) 3 days				20	a) Y b) Y	H	Finance Department
		To ensure compliance with SCM policy & regulations	Compliance with the SCM Policy	N/A	115 days	a) Turnaround time for processing all the bids	Number	a) 63 days b) 90 days	a) 115 days b) 157 days	120 days (was 90 days)	142 days	Budget was insufficient for Fleet tender. Some of the projects were referred back to BEC for reconsiderations and others were affected by objections.			21	Y	H	Finance Department
		To ensure long-term financial viability and sustainability of ILembe District Municipality.	Payment of creditors	N/A	89%	% of claims with no outstanding issues submitted to Finance paid within 30 days	Percentage	100%	89%	100%	88%	While there are still a few instances where delays in getting back invoices from user departments after being signed were noted, for most of the invoices paid beyond 30 day period, there were legitimate reasons to hold back those invoices.	The process of automating flow of invoices between finance and user departments is at an advance stage of development. Management is currently evaluating the proposal to implement this project. Once fully automated it will become more efficient to monitor this process and address problem areas more quicker.		22	Y	H	Finance Department
		To ensure long-term financial viability and sustainability of ILembe District Municipality.	Statutory reports	N/A	Monthly	Percentage of monthly reports that are submitted by the 14th of each month	Percentage	100%	All report submitted by deadline	100%	All reports submitted by deadline				23	Y	M	Finance Department
Differentiated approach to Municipal financing, planning & support	Institutional Transformation and Development	To have an updated, approved and populated organogram in all critical need areas of the IDP	Well resourced management capacity (Organogram)	N/A	82%	Percentage of critical posts filled on the organogram	Percentage	90%	82%	85%	90%				24	Y	H	Corporate Services
		To ensure full compliance with the Employment Equity Act within ILembe District Municipality	Employment Equity	N/A	20	Number of people from employment equity target groups employed in the three highest levels of management in compliance with the municipality's approved employment equity plan	Number	22	20	20	6	The target is unrealistic as the municipality may not appoint 20 managers from the three highest level in one financial year.	The annual target will be reviewed in the new financial year.		25	Y	M	Corporate Services
		To ensure that conflicts within the municipality are resolved in line with relevant Labour Relations legislations	Legal matters	N/A	100%	% increase in the total number of legal cases that are resolved (excluding cases which become the subject of contested litigation)	Percentage	100%	100%	100%	100%				26	Y	H	Corporate Services
		Ensure sufficient budget that complies with the provision of the Skills Development Act (Levy Act)	Implementation of a workplace skills plan	N/A	1,28%	Percentage municipality's budget spent on implementing the approved WSP	%	2,00%	1,28%	1%	1,3%	Total expenditure included Municipal budget & LGSETA grant funding			27	Y	M	Corporate Services
		To promote an institution that is representative, participative and empowered to improve the institutional capabilities for service delivery.	Implementation & reporting on training programmes	N/A	25 June 2013	WSP & ATR compiled by deadline	Date	WSP & ATR submitted to LGSETA by 30 June 2013	WSP & ATR & PIVOT reports submitte to LGSETA on 25 June 2013	WSP & ATR to LGSETA by 30 June 2014	WSP & ATR Submitted to LGSETA on 30 April 2014.				28	Y	M	Corporate Services
Community work programme implemented & cooperative supported	Socio Economic Services	A District complying with Disaster Management Legislation	Disaster Management Communication System	N/A	New measure	Relocation and Testing of the Disaster Management Communication system by deadline	Date	New measure	New measure	30 June 2014	Relocation and testing of the Communication System not done, as it is dependent on the electrification in the Disaster Management Centre.	The target has not been achieved due to the outstanding issue of electricity installation at the Disaster Management Centre. Relocation and Testing of the System will only be done once the Centre has been electrified.	The Architect has submitted Building Plans for approval by KwaDukuza Local Municipality. Regular follow ups are done with the Architect and Singathat Consulting in ensuring that the matter is fastracked. The issue was also elevated to the MM's Forum with KwaDukuza MM making a commitment to assist to speedily resolve outstanding issues.		29	Y	M	Corporate Governance
		A District complying with Disaster Management Legislation	Emergency Relief Aid	N/A	100%	Percentage of incidents responded to	%	Maintain 100%	100%	100%	100%				30	Y	H	Corporate Governance

ORGANISATIONAL SCORECARD 2013-2014

OUTCOME 9	NATIONAL KPA's	IDP OBJECTIVE	KPA	BACKLOG	BASELINE	KPI's	UNIT OF MEASURE	ANNUAL TARGET 2012/2013	ANNUAL ACTUAL 2012/2013	ANNUAL TARGET 2013/2014	ANNUAL ACTUAL 2013/2014	REASON FOR VARIANCE/ COMMENTS	CORRECTIVE MEASURE	PMS COMMENTS	EVIDENCE REF NUMBER	EVIDENCE	WEIGHTINGS	RESPONSIBLE DEPARTMENT
Community work programme implemented & cooperative supported	Socio Economic Services	To ensure that statutory requirements controlling occupational health & environmental health services are enforced minimising risks in the work place, community and promoting a safe and healthy environment	Occupational Health & Safety	N/A	a) 146 b) New measure c) New measure	a) Number of staff trained b) Number of sites inspected in terms of unsafe working conditions c) Number of reports compiled on sites inspected for remedial action	Number	a) 100 b) New Measure c) New Measure	a) 146 b) New Measure b) New Measure	a) 120 b) 60 c) 4	a) 164 b) 62 c) 62				31	a) Y b) Y c) Y	M	Corporate Services
		To provide appropriate environment and facilities for the provision of Social Services.	Water Quality Monitoring and Analysis	N/A	a) 147 b) 100%	a) Number of samples taken and analysed b) Percentage of unsatisfactory samples reported and rectified	Number & %	a) 144 b) 100%	a) 147 b) 100%	a) 156 b) 0%	a) 165 b) 46,16%				32	a) Y b) Y	M	Corporate Services
		To facilitate and stimulate economic growth in the District	Expanded Public Works Programme	N/A	1023	Number of job opportunities created through water infrastructure & service delivery efforts	Number	1000	1023	1000	906	A number of projects were not awarded on time			33	Y	H	Technical Services Department
		To facilitate and stimulate economic growth in the District	Local Economic Development (School Nutrition Programme)	N/A	18	Increase in Number of new Open Fields Projects	Rand value	New measure	New measure	22 new farms	28 new farms				34	Y	H	Enterprise iLembe
		To facilitate and stimulate economic growth in the District	Local Economic Development	N/A	New measure	Number of co-operatives registered to increase new job opportunities	Number	New measure	New measure	4	12				35	Y	H	Enterprise iLembe
		To facilitate and stimulate economic growth in the District	Local Economic Development	N/A	New measure	Number of Feasibility Studies for entry into economic sector approved by deadline	Date & Number	New measure	New measure	2 by end June 2014	3				36	Y	M	Enterprise iLembe
Deepened democracy through a refined ward committee system	Good Governance & Public Participation	To improve the accountability & transparency through credible information from the IDP to the Public	Annual Municipal Performance Report	N/A	31 August 2012	2012/13 AMPR done by iLembe PMS Unit by deadline	Date	Aug-12	Submitted 31 August 2012	August 2013	30 August 2013				37	Y	H	Office of MM
		To improve the accountability & transparency through credible information from the IDP to the Public	Performance Management Systems Framework	N/A	25 June 2013	Review and approval of Performance Management Systems Framework by deadline	Date	Jun-13	25 June 2013	June 2014	27 May 2014				38	Y	M	Office of MM
		Compliance & good governance	Preparation of an Annual Report	N/A	30 January 2013	Annual Report adopted by deadline	Date	31 January 2013	30 January 2013	31 January 2014	30 January 2014				39	Y	H	Corporate Governance
		To ensure well established systems (model) and processes that will facilitate the deepening of democracy through ward committees	Public Participation	N/A	32	Number of Public Participation meetings held	Number	30	32	32 (was 20)	68				40	Y	H	Corporate Governance
		To align provincial, district and local plans addressing designated groups	Special Projects (Youth)	N/A	a) 16 b) 425	a) Number of programmes implemented as per the approved youth plan b) Number of youths benefiting from programmes implemented	Number	a) 12 programmes b) 100	a) 16 b) 425	a) 14 b) 600 (was 120)	a) 33 b) 872				41	a) Y b) Y	M	Corporate Governance
		To improve the alignment of all sector plans and service delivery	Promote Intergovernmental Relations	N/A	36	Number of IGR meetings held within District	Number	8	36	4	46				42	Y	M	Corporate Governance
		To improve the accountability & transparency through credible information from the IDP to the Public	Annual IDP Review	N/A	29 May 2013	IDP Review & adoption by deadline	Date	2013/2014 IDP adopted by June 2013	IDP Approved by 29 May 2013	2014/2015 IDP adopted by June 2013	2014/15 IDP adopted on 29 May 2014.				43	Y	H	Office of MM
		To improve the accountability & transparency through credible information from the IDP to the Public	Internal Audit	N/A	23	Number of audit assignments completed by deadline	Number	21	23	21	22				44	Y	H	Office of MM
		To improve the accountability & transparency through credible information from the IDP to the Public	Risk Management	N/A	17 April 2013	Review Enterprise Risk Management Framework by deadline	Date	New Measure	New Measure	30 June 2014	31 May 2014	The Risk committee was not able to sit and the meeting is scheduled for 14 July 2014 where the framework and policy will be noted and then tabled at Executive Committee on 22 July 2014.			45	Y	H	Office of MM
		To improve the accountability & transparency through credible information from the IDP to the Public	Risk Management	N/A	Assessment process finalised in May & June 2013	Risk assessment process for the 2014/15 finalised by deadline	Date	June 2013	Assessment process finalised in May & June 2013	30 June 2014	Risk Assessment was finalised on the 19th May 2014.	The draft report was finalised before year end. The Risk committee was not able to sit and the meeting is scheduled for 14 July 2014 where Draft report will be noted and then tabled at Executive committee on 22 July 2014.			46	Y	H	Office of MM

ORGANISATIONAL SCORECARD 2013-2014

OUTCOME 9	NATIONAL KPA's	IDP OBJECTIVE	KPA	BACKLOG	BASELINE	KPI's	UNIT OF MEASURE	ANNUAL TARGET 2012/2013	ANNUAL ACTUAL 2012/2013	ANNUAL TARGET 2013/2014	ANNUAL ACTUAL 2013/2014	REASON FOR VARIANCE/ COMMENTS	CORRECTIVE MEASURE	PMS COMMENTS	EVIDENCE REF NUMBER	EVIDENCE	WEIGHTINGS	RESPONSIBLE DEPARTMENT
Deepened democracy through a refined ward committee system	Good Governance & Public Participation	All IDM Strategic objectives	Monitoring performance of effective enterprise risk management	N/A	a) New Measure b) New Measure	a) Number of risk registers updated b) Number of ethics/Risk Committee meetings held	Number	a) New Measure b) New Measure	a) New Measure b) New Measure	a) 4 b) 4	a) 4 b) 4	a) Risk register is updated on a monthly basis, but we report on a quarterly basis to the Risk Committee and Audit Committee.  b) Two Risk Committee meetings were held for the 1st and 2nd quarter. There was a suggestion by the Municipal Manager to dissolve the Risk Committee hence there was no Risk Committee meeting on the 3rd quarter. The 3rd quarter monitoring report was then noted by MANCO and Audit Committee. Audit Committee and Acting MM recommended for Risk Committee to continue and the committee is due to sit for the 4th quarter on 14 July 2014.			47	a) Y b) Y	H	Office of MM
		To improve the accountability & transparency through credible information from the IDP to the Public	Internal Audit	N/A	3	Number of report from Internal Auditors to Audit Committee to ensure effectiveness of the Unit	Number	4	3	4	3	No report were sent in November due to unavailability of the manager		Only Agenda submitted as evidence	48	Y	H	Office of MM
		To improve the accountability & transparency through credible information from the IDP to the Public	Audit Committee	N/A	1	Number of report from Audit Committee to E&Co to ensure effectiveness of the committee	Number	2	1	2	3				49	Y	H	Office of MM

PERFORMANCE SYMBOLS				
TARGET MET	IN PROGRESS	NOT MET	N/A	TOTAL
				
39	1	19	0	59

WEIGHTING SYMBOLS			
HIGH	MEDIUM	LOW	TOTAL
H	M	L	
42	17	0	59

**Consolidated Annual Financial Statements**

**for**

***ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY***

**As at 30 June :                      2014**

**Province:    KwaZulu Natal**

**AFS rounding:                                      R (i.e. only cents)**

**Contact Information:**

**Name of Acting Municipal  
Manager:**

**N G Kumalo**

**Name of Chief Financial  
Officer:**

**Nosipho Mba**

Contact telephone number:

**032 437 9503**

Contact e-mail address:

[nosipho.mba@ilembe.gov.za](mailto:nosipho.mba@ilembe.gov.za)

**Name of contact at provincial  
treasury:**

**Keneue Mofoka**

Contact telephone number:

**033 8974400**

Contact e-mail address:

[keneue.mofoka@kzntreasury.gov.za](mailto:keneue.mofoka@kzntreasury.gov.za)

**Name of relevant Auditor:**

**Mrs F Makaye**

Contact telephone number:

**033 264 7600**

Contact e-mail address:

[ntombifuthim@agsa.co.za](mailto:ntombifuthim@agsa.co.za)

**Name of contact at National  
Treasury:**

**Matsie Sehlapelo**

Contact telephone number:

**012 315 5295**

Contact e-mail address:

[Matsie.Sehlapelo@treasury.gov.za](mailto:Matsie.Sehlapelo@treasury.gov.za)

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**  
**As at 30 June 2014**

**General information**

His Worship, Councillor Sibusiso Welcome Mdabe	<b>Mayor</b>
Councillor Thokozani Msweli	<b>Speaker</b>
Councillor Amita Badul	Member of the Executive Committee
Councillor Thami Jabulani Zondo	Member of the Executive Committee
Councillor Monitha Dolly Shandu	Member of the Executive Committee
Councillor Moosa Suleman Cassim Motala	Member of the Executive Committee
Councillor Samukelisiwe Gugu Xhakaza	<i>Member</i>
Councillor Nkosinathi Vincent Chili	<i>Member</i>
Councillor Susan Molebong Cele	<i>Member</i>
Councillor Jabulisiwe Mavis Cele	<i>Member</i>
Councillor Musawenkosi Simeon Ntuli	<i>Member</i>
Councillor Faith Govender	<i>Member</i>
Councillor Makhosonke Petros Ntuli	<i>Member</i>
Councillor Rejoice Nontsikelelo Pakkies	<i>Member</i>
Councillor Gideon Njabulo Mbonambi	<i>Member</i>
Councillor Lucky Reginald Makhathini	<i>Member</i>
Councillor Musawenkosi Aubrey Maphumulo	<i>Member</i>
Councillor Colin Randles Marsh	<i>Member</i>
Councillor Leonard Mandla Ndlovu	<i>Member</i>
Councillor Fuzile Pearl Nkosi	<i>Member</i>
Councillor Zandile Sandy Thoolsi	<i>Member</i>
Councillor Cebisile Pridence Ngidi	<i>Member</i>
Councillor Velile Charline Nzama	<i>Member</i>
Councillor Lindelani Mbulelo Zondi	<i>Member</i>
Councillor Jennifer A. Vallan	<i>Member</i>
Councillor Elphas Lindelihle Dube	<i>Member</i>
Councillor Catherine Tholakele Kumalo	<i>Member</i>
Councillor Lindelihle Rodger Mdletshe	<i>Member</i>
Councillor Langelihle Roney Mbonambi	<i>Member</i>
Councillor Dumisani Jotham Zubane	<i>Member</i>

**Acting Municipal Manager**

N G Kumalo - Appointed as Acting Municipal Manager  
in June 2014

**Chief Financial Officer**

Nosipho Mba - Appointed on 01 December 2011.

**Grading of Local Authority**

Four

**Auditors**

Auditor-General

**Bankers**

First National Bank

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**  
**As at 30 June 2014**

**General information (continued)**

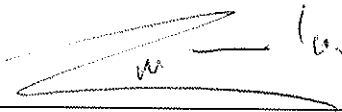
	Ilembe House
<b>Physical address:</b>	Ilembe House 59/61 Mahatma Ghandhi Street KWADUKUZA 4450
<b>Postal address:</b>	P.O Box 1788 KWADUKUZA 4450
<b>Telephone number:</b>	032 437 9300
<b>Fax number:</b>	032 437 9584
<b>E-mail address:</b>	<a href="mailto:admin@ilembe.gov.za">admin@ilembe.gov.za</a>



**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**  
**As at 30 June 2014**

**Approval of annual financial statements**

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 50, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Acting Municipal Manager: NG Kumalo

DATE: 30 September 2014

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**  
**As at 30 June 2014**

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**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2014**

	Note	GROUP 2014 R	IDM 2014 R	GROUP 2013 R	IDM 2013 R
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	3	47 056 818	44 838 379	24 894 532	21 995 406
Trade and other receivables from exch	2	110 814 044	110 077 074	85 197 957	84 292 087
Trade and other receivables from non	4	19 446 509	19 446 509	46 041 693	46 041 693
Inventories	6	7 078 439	7 078 439	5 071 933	5 062 183
<b>Total current assets</b>		<b>184 395 810</b>	<b>181 440 400</b>	<b>161 206 116</b>	<b>157 391 369</b>
<b>Non-current assets</b>					
Non-current receivables	7	17 307	17 307	-	-
Long term Investments	8	21 549 063	21 549 063	20 115 704	20 115 704
Other non-current financial assets	5	-	100	-	100
Property, plant and equipment	10	1 125 519 353	1 097 852 616	1 172 581 327	1 143 555 003
Intangible assets	12	6 025 785	6 010 666	6 431 501	6 418 634
Heritage Assets	11	205 578	205 578	205 578	205 578
Biological assets	13	2 018 320	-	2 294 800	-
<b>Total non-current assets</b>		<b>1 155 335 406</b>	<b>1 125 635 330</b>	<b>1 201 628 909</b>	<b>1 170 295 017</b>
<b>Total assets</b>		<b>1 339 731 216</b>	<b>1 307 075 731</b>	<b>1 362 835 025</b>	<b>1 327 686 387</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables from exchan	14	182 285 694	181 338 385	141 662 076	140 579 296
Trade and other payables from non - e	15	31 435 625	23 475 118	20 574 259	8 850 554
Current portion of borrowings	16	3 115 127	3 115 127	2 607 447	2 607 447
Current portion of finance lease liability	17	1 452 292	1 452 292	3 598 582	3 598 582
Current portion of employee benefits	38	571 000	571 000	279 000	279 000
<b>Total current current liabilities</b>		<b>218 859 739</b>	<b>209 951 923</b>	<b>168 721 364</b>	<b>155 914 879</b>
<b>Non-current liabilities</b>					
Non-current borrowings	16	86 268 717	86 268 717	89 625 927	89 625 927
Non-current finance lease liability	17	441 046	441 046	1 848 304	1 848 304
Employee benefits	38	6 114 000	6 114 000	3 942 000	3 942 000
<b>Total non-current liabilities</b>		<b>92 823 764</b>	<b>92 823 764</b>	<b>95 416 231</b>	<b>95 416 231</b>
<b>Total liabilities</b>		<b>311 683 503</b>	<b>302 775 686</b>	<b>264 137 595</b>	<b>251 331 110</b>
<b>Net assets</b>		<b>1 028 047 713</b>	<b>1 004 300 044</b>	<b>1 098 697 430</b>	<b>1 076 355 276</b>
<b>NET ASSETS</b>					
Accumulated surplus		1 028 047 713	1 004 300 044	1 098 697 430	1 076 355 276
<b>Total net assets</b>		<b>1 028 047 713</b>	<b>1 004 300 044</b>	<b>1 098 697 430</b>	<b>1 076 355 276</b>

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**As at 30 June 2014**

	Note	GROUP 2014 R	IDM 2014 R	GROUP 2013 R	IDM 2013 R
<b>Revenue from exchange transactions</b>		<b>157 495 703</b>	<b>153 909 730</b>	<b>131 623 845</b>	<b>127 596 237</b>
Service charges	18	102 904 759	102 904 759	101 506 977	101 506 977
Rental of facilities and equipment	19	-	-	74 082	74 082
Interest earned - external investments	20	4 455 424	4 401 310	5 364 480	5 229 071
Interest earned - outstanding receivables	21	13 119 710	13 119 710	14 940 232	14 940 232
Other income	23	37 015 810	33 483 951	9 738 073	5 845 875
<b>Revenue from non exchange transactions</b>		<b>570 292 607</b>	<b>565 222 234</b>	<b>595 046 355</b>	<b>589 173 034</b>
Government grants and subsidies	22	570 292 607	565 222 234	595 046 355	589 173 034
<b>Total revenue</b>		<b>727 788 309</b>	<b>719 131 964</b>	<b>726 670 200</b>	<b>716 769 271</b>
<b>Expenses</b>					
Employee related costs	24	140 132 414	134 335 596	108 261 364	103 977 098
Remuneration of councillors	25	6 629 534	6 629 534	5 730 772	5 730 772
Bad debts	2	18 547 232	18 547 232	18 807 264	18 807 264
Directors' attendance fees	25	464 146	-	477 800	-
Depreciation, impairment and amortisation exp	26	341 416 496	340 050 903	26 322 726	25 032 783
Repairs and maintenance		33 305 213	33 074 341	33 173 528	33 120 881
Finance costs	27	9 266 946	9 266 946	9 756 882	9 756 882
Bulk purchases	28	72 296 236	72 296 236	59 636 667	59 636 667
Contracted services	29	65 567 571	65 537 666	52 060 494	52 060 494
Grant Expenses	30	43 025 874	35 317 924	51 325 908	45 605 916
General expenses	31	69 493 793	78 105 305	68 133 869	67 498 824
<b>Total expenses</b>		<b>800 145 454</b>	<b>793 161 684</b>	<b>433 687 275</b>	<b>421 227 582</b>
		<b>6 983 770</b>			
Gain / (loss) on sale of assets		(98 533)	(98 533)	(576 219)	(299 739)
Forex gain/(loss)		(81 899)	(81 899)	(267 627)	(262 843)
<b>Surplus / (deficit) for the period</b>		<b>(72 537 576)</b>	<b>(74 210 152)</b>	<b>292 139 079</b>	<b>294 979 106</b>

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**STATEMENT OF CHANGES IN NET ASSETS**  
As at 30 June 2014

		GROUP Accumulated Surplus/(Deficit) and Total	IDM Accumulated Surplus/(Deficit) and Total
	Note	R	R
<b>Balance at 30 June 2012</b>		<b>812 063 224</b>	<b>785 989 689</b>
Restated surplus for the year			
Prior year adjustments	32	(5 183 245)	(4 613 520)
<b>Restated balance</b>		<b>806 879 979</b>	<b>781 376 169</b>
Transfers to / from accumulated surplus/(deficit)		(321 629)	-
Surplus / (deficit) for the period		292 139 079	294 979 106
<b>Balance at 30 June 2013</b>		<b>1 098 697 429</b>	<b>1 076 355 276</b>
Correction of prior period error	32	2 154 919	2 154 919
<b>Restated balance</b>		<b>1 100 852 347</b>	<b>1 078 510 195</b>
Transfers to / from accumulated surplus/(deficit)		(267 058)	
Surplus / (deficit) for the period		(72 537 576)	(74 210 152)
<b>Balance at 30 June 2014</b>		<b>1 028 047 713</b>	<b>1 004 300 044</b>

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**CASH FLOW STATEMENT**  
**As at 30 June 2014**

	Note	GROUP 2014 R	IDM 2014 R	GROUP 2013 R	IDM 2013 R
Receipts		<b>731 266 315</b>	<b>712 854 466</b>	<b>633 278 876</b>	<b>621 703 639</b>
Sales of goods and services		122 308 653	122 308 653	99 054 289	95 005 572
Grants		608 957 662	590 545 813	534 224 587	526 698 067
Payments		<b>(397 634 768)</b>	<b>(378 531 823)</b>	<b>(327 057 174)</b>	<b>(319 578 594)</b>
Employee costs		142 569 621	136 428 738	112 078 621	107 316 555
Suppliers		255 065 147	242 103 085	214 978 553	212 262 039
<b>CASH GENERATED FROM OPERATIONS</b>	33	<b>333 631 547</b>	<b>334 322 643</b>	<b>306 221 701</b>	<b>302 125 045</b>
Interest received		4 455 424	4 401 310	5 364 480	5 229 071
Interest paid		(9 266 946)	(9 266 946)	(9 756 882)	(9 756 882)
<b>Net cash flows from operating activities</b>		<b>328 820 026</b>	<b>329 457 008</b>	<b>301 829 299</b>	<b>297 597 233</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of fixed assets (PPE)		(297 770 431)	(297 726 725)	(295 526 540)	(292 250 960)
Proceeds from sale of fixed assets		-	-	453 500	453 500
Increase in investments		(1 433 360)	(1 433 360)	(1 433 360)	(1 433 360)
Purchase of intangibles		(941 692)	(941 692)	(4 040 992)	(4 040 992)
<b>Net cash flows from investing activities</b>		<b>(300 145 483)</b>	<b>(300 101 777)</b>	<b>(300 547 391)</b>	<b>(297 271 811)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Repayment of borrowings		(2 958 710)	(2 958 710)	(2 762 074)	(2 762 074)
Repayment of finance lease liability		(3 553 548)	(3 553 548)	(5 671 327)	(5 671 327)
<b>Net cash flows from financing activities</b>		<b>(6 512 258)</b>	<b>(6 512 258)</b>	<b>(8 433 401)</b>	<b>(8 433 401)</b>
<b>Net increase / (decrease) in net cash and cash equivalents</b>		<b>22 162 285</b>	<b>22 842 973</b>	<b>(7 151 493)</b>	<b>(8 107 979)</b>
<b>Net cash and cash equivalents at beginning of period</b>		<b>24 894 533</b>	<b>21 995 406</b>	<b>32 046 026</b>	<b>30 103 385</b>
<b>Net cash and cash equivalents at end of period</b>	34	<b>47 056 818</b>	<b>44 838 379</b>	<b>24 894 533</b>	<b>21 995 406</b>

**ILEMBE DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**As at 30 June 2014**

Description	Original Budget	Budget Adjustments (i.t.o. s28 & s31 Of The MFMA)	Virement (Council Approved By- law)	Final Budget after Virement	Actual Income/ Expenditure	Unauthoris ed Expenditure	Variance	% Variance	Explanation of variances
	1 R	2 R	3 R	4 R	5 R	6 R	7 R	8	9
Service Charges	105 846 736	108 703 374	0	108 703 374	102 904 759		-5 798 615	-5%	Accept the variance as immaterial The variance is due to changes in average interest rates offered by the banks on investments and the total amount invested with them.
Investment Revenue	6 600 000	2 398 430	0	2 398 430	4 401 310		2 002 880	84%	
Transfers Recognised - Operational	278 320 211	282 764 052	0	282 764 052	296 649 142		13 885 090	5%	Accept the variance as immaterial Some Revenue votes are dependant on certain factors, hence the amounts will not always tally,
Other Own Revenue	72 298 634	54 882 343	0	54 882 343	46 603 661		-8 278 682	-15%	e.g. developers' contribution
<b>Total Revenue (Excluding Capital Transfers)</b>	<b>463 065 581</b>	<b>448 748 199</b>	<b>0</b>	<b>448 748 199</b>	<b>450 558 872</b>	<b>0</b>	<b>1 810 673</b>		
Employee Costs	117 981 820	130 103 702	603 403	130 707 105	134 335 596	0	3 628 491	3%	Accept the variance as immaterial
Remuneration Of Councillors	6 589 382	6 589 382	40 152	6 629 534	6 629 534		0	0%	Accept the variance as immaterial This is based on how much of debtors is impaired at the end of the financial year.
Debt Impairment	19 346 247	16 545 506	0	16 545 506	18 547 232		2 001 726	12%	The difference is due to completed projects that are to be transferred from AUC to the asset register and be depreciated
Depreciation & Asset Impairment	30 800 000	38 300 000	0	38 300 000	340 050 903		301 750 903	788%	
Finance Charges	12 100 000	10 711 715	-1 400 000	9 311 715	9 266 946		-44 769	0%	Accept the variance as immaterial
Materials & Bulk Purchases	77 618 974	92 668 414	20 665 252	113 333 666	105 370 577	0	-7 963 089	-7%	Accept the variance as immaterial
Contracted Services	59 862 793	60 066 285	6 709 716	66 776 001	65 537 666		-1 238 335	-2%	Accept the variance as immaterial Shortfall funded through MIG capital projects
Grant Expenses	25 934 211	23 684 211	0	23 684 211	35 317 924		11 633 713	49%	savings
Other Expenditures	87 922 162	108 784 274	-26 618 523	82 165 751	78 105 305	0	-4 060 446	-5%	Accept the variance as immaterial
<b>Total Expenditure</b>	<b>438 155 588</b>	<b>487 453 489</b>	<b>0</b>	<b>487 453 489</b>	<b>793 161 684</b>	<b>0</b>	<b>305 708 194</b>		
<b>Surplus/(Deficit)</b>	<b>24 909 993</b>	<b>-38 705 290</b>	<b>0</b>	<b>-38 705 290</b>	<b>-342 602 812</b>	<b>0</b>	<b>-303 897 522</b>		
Transfers Recognised - Capital	208 330 702	217 857 672	0	217 857 672	192 279 853		-25 577 819	-12%	Unspent grants due to some delays during the financial year.
Contributions Recognised - Capital & Contributed Assets	114 035 088	105 507 707	0	105 507 707	76 293 239		-29 214 468	-28%	Funding from KwaDukuza MIG not spent as the project had delays
<b>Surplus/(Deficit) After Capital Transfers &amp; Contributions</b>	<b>347 275 782</b>	<b>284 660 089</b>	<b>0</b>	<b>284 660 089</b>	<b>-74 029 720</b>	<b>0</b>	<b>-358 689 809</b>		
Profit/(Loss)					-180 432		-180 432	100%	
<b>Surplus/(Deficit For The Year)</b>	<b>347 275 782</b>	<b>284 660 089</b>	<b>0</b>	<b>284 660 089</b>	<b>-74 210 152</b>	<b>0</b>	<b>-358 870 240</b>		
<b>Capital Expenditure &amp; Funds Sources</b>									
<b>Capital Expenditure</b>									
Transfers Recognised - Capital	208 330 701	213 478 402	0	213 478 402	g 181 160 980		-32 317 422	-15%	Expenditure on grant funded projects is expected to pick up in the next month

Description	Original Budget	Budget Adjustments (i.t.o. s28 & s31 Of The MFMA)	Virement (Council Approved By- law)	Final Budget after Virement	Actual Income/ Expenditure	Unauthoris ed Expenditure	Variance	% Variance	Explanation of variances
Public Contributions & Donations	114 035 088	70 175 439	0	70 175 439	74 887 716	-4 712 277	4 712 277		Discrepancy is as a result of different financial 7% years between DWA and the municipality Projects transferred from DWA to internal 12% funding
Internally Generated Funds	30 089 333	38 080 325	0	38 080 325	42 619 720	-4 539 395	4 539 395		
<b>Total Sources Of Capital Funds</b>	<b>352 455 122</b>	<b>321 734 166</b>	<b>0</b>	<b>321 734 166</b>	<b>298 668 416</b>	<b>-9 251 672</b>	<b>-23 065 750</b>		



**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**As at 30 June 2014**

**1 BASIS OF PREPARATION**

**1,1 STATEMENT OF COMPLIANCE**

These annual financial statements have been prepared in accordance with the effective South African Standards of Generally Recognised Accounting Practice (GRAP), as approved by the Minister of Finance, including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

**1,2 BASIS OF MEASUREMENT**

The annual financial statements have been prepared on the accrual basis except for the following material item in the statement of financial position:

the defined benefit liability is recognised as the net total of the plan assets, plus unrecognised past service cost and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligation.

Accounting policies for material transactions, events or conditions not covered by the Standards of GRAP have been developed in accordance with paragraphs 7,11 and 12 of GRAP 3 *Accounting policies, changes in accounting estimates and errors*. These accounting policies and the applicable disclosures have been based on International Public Sector Accounting Standards (IPSAS) and the South African Statements of Generally Accepted Accounting Practice (SA GAAP), including any interpretations of such statements issued by the Accounting Practices Board.

**1,3 FUNCTIONAL AND PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. All financial information has been rounded to the nearest Rand.

**1,4 OFFSETTING**

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the municipality has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Revenue and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

**1,5 GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

**1,6 USE OF ESTIMATES AND JUDGEMENTS**

The preparation of financial statements in conformity with GRAP requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future.

**1,7 COMPARATIVE INFORMATION**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. The municipality shall present a comparison of budget and actual amounts as additional budget columns in the primary financial statements only where the financial statements and the budget are prepared on a comparable basis. All comparisons of budget and actual amounts shall be presented on a comparable basis to the budget. The municipality shall explain in notes to the financial statements the budgetary basis and classification basis adopted in the approved budget (refer note 1.10).

**1,8 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

**The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality. Application of all of the GRAP standards noted below will be effective from a date to be announced by the Minister of Finance. The effective dates are currently unknown.**

GRAP 18 Segment Reporting - issued February 2011

GRAP 20 Related Party Disclosures - issued June 2011

GRAP 32 Service Concession Arrangements (Grantor) - issued August 2013

GRAP 105 Transfer of Functions Between Entities Under Common Control - issued November 2010  
GRAP 106 Transfer of Functions Between Entities Not Under Common Control - issued November 2010  
GRAP 107 Mergers - issued November 2010  
GRAP 108 Statutory Debtors - issued September 2013

## 1.9 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED AND EFFECTIVE

The following GRAP standards have been issued and are effective and have been adopted by the municipality.

GRAP 25 Employee Benefits - effective 01 April 2013

The impact of the application of these standards on the municipality's annual financial statements is as follows:

**GRAP 25** - Requirements of GRAP 25 are similar to the requirements of IAS 19 Employee Benefits applied by the municipality during the 2012/13 financial year except for the fact that GRAP 25 requires actuarial gains and losses to be recognised in full in the year that they occur and past service costs to be recognised as an expense in the reporting period in which the plan is amended. No material impact is expected from these changes

## 1.10 PRESENTATION OF BUDGET INFORMATION IN THE FINANCIAL STATEMENTS

The budget is mainly approved on a cash basis by functional classification. The approved budget covers the period from 1 July 2012 to 30 June 2013. The budget and accounting bases for some votes differ. The financial statements are prepared on the accrual basis using a classification on the nature of expenses in the statement of financial performance. The financial statements differ from the budget, which is approved on the cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by functional classification to be on the same basis as the final approved budget. The amounts of these adjustments are identified in note 41. A reconciliation between the actual amounts on a comparable basis as presented in the statement of comparison of budget and actual amounts and the actual amounts in the cash flow statement for the period ended 30 June 2013 is presented in note 41. The financial statements and budget documents are prepared for the same period. There is a basis difference: the budget is mainly prepared on a cash basis and the financial statements on the accrual basis. The reconciliation as required by GRAP 24 is also shown in note 41. The statement of comparison of budget and actual amounts is disclosed as a statement in the annual financial statements.

Differences between budget and actual amounts are regarded as material when a more than 10% variance exists.

All material differences are explained in the notes to the annual financial statements.

## 2 SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies had been applied consistently during the current and previous reporting period, as set out in note 1.2

### 2.1 PROPERTY, PLANT AND EQUIPMENT

#### 2.1.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### 2.1.2 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

#### 2.1.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Depreciation commences when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with GRAP 100 Non-current assets held for sale and discontinued operations. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

Infrastructure	Years	Other	Years
Water	10 - 60	Machinery and equipment	3 - 20
Sewerage	10 - 60	Furniture and equipment	3 - 50
Agriculture PPE	15	Motor vehicles	4 - 20
Other	10 - 50	Buildings	5 - 30

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance - refer to note 19 for further information on impairment of assets.

#### **2.1.4 DERECOGNITION**

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### **2.1.5 LEASED ASSETS**

Leases in terms of which the municipality assumes substantially all the risks and rewards of ownership are classified as finance leases. Other leases are classified as operating leases. Upon initial recognition of assets leased under finance leases, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

### **3 INTANGIBLE ASSETS**

#### **3.1 RECOGNITION**

Biological assets are fair valued at the end of each accounting period. Biological assets that have not produced crops are valued at cost while in the case where crops are present the value of the crop at the end of the accounting period is taken into account to arrive at the fair value.

### **4 INTANGIBLE ASSETS**

#### **4.1 INITIAL RECOGNITION**

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

#### **4.2 SUBSEQUENT MEASUREMENT - COST MODEL**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

#### **4.3 AMORTISATION AND IMPAIRMENT**

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software and websites     2 - 5 Years

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date - refer to note 19 for further information on impairment of assets. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

#### **4.4 DERECOGNITION**

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **5 HERITAGE ASSETS**

#### **5.1 INITIAL RECOGNITION AND MEASUREMENT**

Heritage assets are assets that are normally held indefinitely for their unique cultural, environmental, historical, natural, scientific, technological or artistic significance for the benefit of future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

#### **5.2 SUBSEQUENT MEASUREMENT - COST MODEL**

After recognition as an asset, a class of heritage assets are carried at its cost less any accumulated impairment losses.

#### **5.3 DEPRECIATION & IMPAIRMENT**

Heritage assets are not depreciated. The municipality assesses at each reporting date whether there is any indication that a heritage asset may be impaired - refer to note 18 for further information on impairment of assets.

In assessing whether there is an indication that an asset may be impaired, the municipality considers, as a minimum, the following indications:

### 5.3.1 External sources of information

(a) During the period, a heritage asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.

(b) The absence of an active market for a revalued heritage asset.

### 5.3.2 Internal sources of information

(a) Evidence is available of physical damage or deterioration of a heritage asset.

(b) A decision to halt the construction of the heritage asset before it is complete or in a usable form.

## 5.4 DERECOGNITION

The carrying amount of a heritage asset is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amounts of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

## 6 INVENTORIES

### 6.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

### 6.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

### 6.3 WATER INVENTORY

Water inventory represents water housed in reservoirs within the municipal area and is measured at the lower of cost, which is deemed to be fair value, and net realisable value. In the absence of a market that trades in water outside of local government, the fair value utilised to quantify water inventory is based on the unit reference value. The unit reference value is determined by a formula that is utilised in the engineering department to calculate the development cost of new water resources.

## 7 INVESTMENT PROPERTY

### 7.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipal entity measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

### 7.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

## 8 INVESTMENTS IN CONTROLLED ENTITIES

In the municipality's separate annual financial statements, investments in controlled entities are measured at cost.

## 9 FINANCIAL INSTRUMENTS

### 9.1 INITIAL RECOGNITION

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or residual interest of another entity. A financial asset is:

A financial liability is any liability that is a contractual obligation to:

deliver cash or another financial asset to another entity; or

exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

Financial instruments are initially recognised when the municipality becomes a party to the contractual provisions. Financial assets are recognised using trade date accounting

## **9.2 INITIAL MEASUREMENT**

Financial instruments are initially measured at fair value and plus transaction costs for financial instruments at amortised cost or cost. Fair value is usually the transaction cost at the date of recognition. For financial instruments at amortised cost, if the transaction cost is not market related i.e. no interest is charged for deferred payments or when the account is overdue, or interest charged is at below- market related rate: the municipality determines the fair value. The fair value is the present value of the expected future cash flows, without taking into account any future losses or the possibility of default, discounted using a market related interest rate, adjusted for credit risk over the expected life of the financial instrument. For financial instruments at fair value, the fair value is determined based on quoted prices in an active market. If there is no active market, it is determined using valuation techniques. For financial instruments at cost, the financial instrument is only measured at cost if the fair value can not be measured reliably. Where a financial instrument contains both a liability and a residual interest component, the municipality allocates the instrument into its component parts. The municipality recognises the liability at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its

## **9.3 SUBSEQUENT MEASUREMENT**

Financial assets and liabilities are subsequently measured either at fair value, or amortised cost or cost using the following categories:

- (a) Financial instruments at fair value
- (b) Financial instruments at amortised cost
- (c) Financial instruments at cost

### **9.3.1 FINANCIAL INSTRUMENTS AT FAIR VALUE**

Financial instruments at fair value comprise financial assets or financial liabilities that are derivatives , combined instruments that are designated at fair value, instruments held for trading , financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost and non derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition. Financial instrument at fair value are subsequently measured at fair value with changes in fair value recognised in surplus or deficit.

### **9.3.2 FINANCIAL INSTRUMENTS AT AMORTISED COST**

Financial instruments at amortised cost , are non-derivative financial assets or financial liabilities that have fixed or determinable payments , excluding those the municipality designates at fair value at initial recognition or are held for trading. Financial instruments at amortised cost are subsequently measured at amortised cost using effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated cash flows associated with the financial instrument through the expected life of the instrument (or in some cases a shorter period) to the net carrying amount at initial recognition. Financial assets are subject to annual impairment review. Refer to note 7.6 for details on impairment and uncollectability of financial assets.

### **9.3.3 FINANCIAL INSTRUMENTS AT COST**

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. Financial instruments at cost are subsequently measured at cost if the fair value cannot be reliably determined. Financial assets are subject to annual impairment review. Refer to note 7.6 for details on impairment and uncollectability of financial assets.

## **9.4 RECLASSIFICATIONS**

The municipality does not reclassify a financial instrument when it is issued or held , except for a combined instrument that is required to be measured at fair value or an investment in residual interest subject to certain requirements.

## **9.5 GAINS AND LOSSES**

Gains and losses on fair value measurements ,reclassifications , impairment , derecognition are recognised in surplus or deficit.

## **9.6 IMPAIRMENT AND UNCOLLECTABILITY OF FINANCIAL ASSETS**

Financial assets are subject to annual impairment review as follows:

### **9.6.1 FINANCIAL ASSETS AT AMORTISED COST**

For financial assets at amortised cost; the municipality assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on a financial asset has been incurred, the loss is recognised in surplus or deficit. The municipality assesses financial assets individually, when assets are individually significant, and individually or collectively for financial assets that are not individually significant. Where no objective evidence of impairment exists for an individually assessed asset, (whether individually significant or not), an entity includes the assets in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. The impairment loss is the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The impairment loss is recognised in surplus or deficit by reducing the carrying amount either directly or through the use of an allowance account. If, in a period after an impairment loss has been recognised, events occur or circumstances change that indicate that the impairment loss recognised in a previous period should be reversed, the municipality reverses the impairment loss previously recognised either directly or by adjusting an allowance account.

### **9.6.2 FINANCIAL ASSETS AT COST**

For financial assets at cost; the municipality assesses whether there is any objective evidence that a financial asset is impaired. If there is objective evidence that an impairment loss on a financial asset has been incurred, the loss is recognised in surplus or deficit. The impairment loss is the difference between the carrying amount and the present value of estimated future cash flow discounted at the current market rate of return for similar financial assets. The impairment loss is recognised in surplus or deficit by reducing the carrying amount directly. The impairment loss is never reversed in subsequent periods.

## **9.7 DERECOGNITION**

### **9.7.1 FINANCIAL ASSETS**

The municipality derecognises financial assets using trade date accounting. The municipality derecognises a financial asset only when:

- (a) the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- (b) the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- (c) the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality shall:
  - (i) derecognise the asset; and
  - (ii) recognise separately any rights and obligations created or retained in the transfer.

## 9.7.2 FINANCIAL LIABILITIES

The municipality removes a financial liability from its statement of financial position when, and only, it is extinguished. A financial liability is extinguished when the debtor either:

- (a) Discharges the liability by paying the creditor, normally with cash, other financial liabilities, goods or services.
  - (b) Is legally released from primary responsibility for the liability either by process (expires) of law or by the creditor (cancelled). If the debtor has given a guarantee, this condition may still be met.
  - (c) Waives the debt or it is assumed by another municipality by way of a non-exchange transaction.
- Interest, dividends or similar distributions, losses and gains relating to a financial instrument or a component that is a financial liability should be recognised as revenue or expense in surplus or deficit. A financial asset and a financial liability should be offset and the net amount presented in the statement of financial position when and when, the municipality:
- (i) Currently has a legally enforceable right to set off the recognised amounts; and
  - (ii) Intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously

## 10 FOREIGN CURRENCY TRANSACTION

Transactions in foreign currencies are translated to the functional currency of the municipality at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in surplus or deficit, except for differences arising on the retranslation of available-for-sale financial instruments, which are recognised in net assets.

## 11 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is defined in section 1 of the MFMA as follows:

"unauthorised expenditure", in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), and includes—

- (a) overspending of the total amount appropriated in the municipality's approved budget;
- (b) overspending of the total amount appropriated for a vote in the approved budget;
- (c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- (d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- (e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- (f) a grant by the municipality otherwise than in accordance with this Act.

### 11.1 IDENTIFICATION AND INTERNAL REPORTING

Unauthorised expenditure is identified through the municipality's financial system application controls. On identification of the unauthorised expenditure due to overspending on specific votes, the relevant Head of department is notified, where funds are available on other votes within the directorate, virements are made within the provisions of the virement policy. If after the provisions of the virement policy are applied, the unauthorised expenditure still remains/exist, it is recorded in the unauthorised expenditure register and reported to the accounting officer, mayor and council in terms of MFMA section 32.

### 11.2 COUNCIL DECISION AND ACCOUNTING TREATMENT

Unauthorised expenditure that is incurred before the adjustment budget process is finalised is condoned by council through the adjustment budget. Unauthorised expenditure that is incurred after the adjustments budget is referred to the Municipal Public Accounts Committee (MPAC) for investigation and recommendation to council. Where MPAC after investigation, recommends to council to certify the unauthorised expenditure as irrecoverable and write-off, the unauthorised expenditure is disclosed in the notes to the financial statements as condoned by council. Where MPAC determines after investigation, that the unauthorised expenditure must be recovered from the relevant official, the unauthorised expenditure is recognised as an asset (debtor) in the statement of financial position and also disclosed in the unauthorised expenditure note as unauthorised expenditure incurred in the current financial year.

### 11.3 EXTERNAL REPORTING

The accounting officer of the municipality promptly informs the mayor, the MEC for local government in the province and the Auditor - General, in writing, of:

- (a) Any unauthorised expenditure incurred by the municipality;
- (b) Whether any person is responsible or under investigation for such unauthorised expenditure; and
- (c) The steps that have been taken—
  - (i) To recover or rectify such expenditure; and
  - (ii) To prevent a recurrence of such expenditure

## 12 IRREGULAR EXPENDITURE

Irregular expenditure is defined in section 1 of the MFMA as follows:

"irregular expenditure", in relation to a municipality or municipal entity, means—

- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
- (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

### 12.1 IDENTIFICATION AND INTERNAL REPORTING

Every expenditure item is reviewed before payment is made to identify any instances of non-compliance with the relevant Acts and supply chain management policy of the municipality. Where an expenditure item is identified as irregular expenditure, it is recorded in the irregular expenditure register and reported to the accounting officer, mayor and council in terms of MFMA section 32.





## 12.2 COUNCIL DECISION AND ACCOUNTING TREATMENT

Irregular expenditure reported to council is referred to the Municipal Public Accounts Committee (MPAC) for investigation and recommendation to council. Where MPAC after investigation, recommends to council to certify the irregular expenditure as irrecoverable and write - off, the irregular expenditure is disclosed in the notes to the financial statements as certified and written - off by council as irrecoverable. Where MPAC determines after investigation, that the irregular expenditure must be recovered from the relevant official, the irregular expenditure is recognised as an asset (debtor) in the statement of financial position and also disclosed in the irregular expenditure note as irregular expenditure incurred in the current financial year.

## 12.3 EXTERNAL REPORTING

The accounting officer of the municipality promptly informs the mayor, the MEC for local government in the province and the Auditor - General, in writing, of:

- (a) Any irregular expenditure incurred by the municipality;
- (b) Whether any person is responsible or under investigation for such irregular expenditure; and
- (c) The steps that have been taken-
  - (i) To recover or rectify such expenditure; and
  - (ii) To prevent a recurrence of such expenditure

## 13 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is defined in section 1 of the MFMA as follows:

"fruitless and wasteful expenditure" means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

### 13.1 IDENTIFICATION AND INTERNAL REPORTING

Every expenditure item is reviewed before payment is made to identify whether it meets the definition of fruitless and wasteful expenditure. Where an expenditure item is identified as fruitless and wasteful expenditure, it is recorded in the fruitless and wasteful expenditure register and reported to the accounting officer, mayor and council in terms of MFMA section 32.

### 13.2 COUNCIL DECISION AND ACCOUNTING TREATMENT

Fruitless and wasteful expenditure reported to council is referred to the Municipal Public Accounts Committee (MPAC) for investigation and recommendation to council. Where MPAC after investigation, recommends to council to certify the fruitless and wasteful expenditure as irrecoverable and write - off, the fruitless and wasteful expenditure is disclosed in the notes to the financial statements as certified and written - off by council as irrecoverable. Where MPAC determines after investigation, that the fruitless and wasteful expenditure must be recovered from the relevant official, the fruitless and wasteful expenditure is recognised as an asset (debtor) in the statement of financial position and also disclosed in the fruitless and wasteful expenditure note as fruitless and wasteful expenditure incurred in the current financial year.

### 13.3 EXTERNAL REPORTING

The accounting officer of the municipality promptly informs the mayor, the MEC for local government in the province and the Auditor - General, in writing, of:

- (a) Any irregular expenditure incurred by the municipality;
- (b) Whether any person is responsible or under investigation for such fruitless and wasteful expenditure; and
- (c) The steps that have been taken-
  - (i) To recover or rectify such expenditure; and
  - (ii) To prevent a recurrence of such expenditure

## 14 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

## 15 LEASES

### 15.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

## **15,2 MUNICIPALITY AS LESSOR**

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

## **16 REVENUE**

### **16,1 REVENUE FROM EXCHANGE TRANSACTIONS**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Further adjustments are made to take into account staggered tariffs where applicable. The estimates of consumption between meter readings are based on 6 months average reading history.

Service charges from sewerage and sanitation are based on the value of the property with sewerage connections on each developed property using the tariffs approved by Council and are levied monthly.

Revenue from the sale of water prepaid meter cards is recognized based on consumption except where a reliable estimate cannot be made after every reasonable effort to gather appropriate information had been made. In these instances, revenue is recognized at the point of sale.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

### **16,2 REVENUE FROM NON - EXCHANGE TRANSACTIONS**

Revenue from non-exchange transactions are transactions where the municipality receives revenue and provide no or a nominal consideration directly in return.

A transaction can be a combination of exchange and non-exchange transactions. In these instances the municipality determines what portion of the transaction is an exchange transaction and what portion is a non-exchange transaction and then recognise it separately.

Most non-exchange transactions that the municipality enters into involve stipulations on transferred assets are in terms in laws or regulations, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the municipality. Stipulations can either be in the form of conditions or in the form of restrictions. For both conditions and restrictions the municipality may be required to use the transferred asset for a particular purpose. The municipality uses substance over form to determine whether a stipulation is a condition or restriction.

### **16,3 RECOGNITION**

An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset are recognised as an asset when all of the following criteria have been satisfied:

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow (which is the case when a stipulation is a condition).

Liabilities are recognised for conditions to be met which is attached to the transferred asset. The liability is discharged and revenue recognised as the conditions are satisfied.

The municipality does not recognise service in - kind.

The municipality recognises revenue from vat refunds on cash basis.

### **16,4 MEASUREMENT**

Non-monetary assets such as property, plant and equipment, investment property and inventory, acquired through a non-exchange transaction, are initially measured at its fair value on acquisition date.

Monetary assets arising out of a contractual agreement, such as cash and receivables, are initially measured at fair value on acquisition date.

Revenue is measured at the amount equal to the increase in net assets (i.e. the net effect).

The amount recognised as a liability is the best estimate of the amount required to settle the present obligation at the reporting date.

Revenue from vat refunds is measured at gross amounts.

## **17 BORROWING COSTS**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

**EMPLOYEES BENEFITS****18.1 SHORT-TERM EMPLOYEE BENEFITS**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expects to pay in exchange for that service and had accumulated at the reporting date.

**18.2 POST- EMPLOYMENT BENEFITS****18.2.1 DEFINED CONTRIBUTION PLANS**

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit in the period in which the service is rendered by the relevant employees, unless another standard requires or permits the inclusion of the contribution in the cost of an asset. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after end of the period in which the employees render the related service, they are discounted using a risk-free rate determined by reference to market yields at the reporting date on government bonds, or by reference to market yields on high quality corporate bonds. The municipality contributes to various national and provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer plans and are accounted for as defined contribution plans as there is no consistent and reliable basis available for allocating the obligation, plan assets and cost to individual municipalities participating in the plan. The contributions to fund obligations for the payment of retirement benefits are expensed in the year it becomes payable. These multi-employer plans are actuarially valued annually on a national or provincial level using the projected unit credit method. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities. Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

**18.2.2 DEFINED BENEFITS PLANS**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. It defines an amount of benefit that an employee will receive on retirement. The municipality's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. These benefits are discounted to determine its present value. The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets.

The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the municipality's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the municipality, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the municipality. An economic benefit is available to the municipality if it is realisable during the life of the plan, or on settlement of the plan liabilities.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. The expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in surplus or deficit on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in surplus or deficit.

The municipality immediately recognises all actuarial gains and losses arising from defined benefit plans directly in net assets.

**18.2.3 OTHER LONG - TERM BENEFITS PLANS**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality.

The municipality's net obligation in respect of long service awards is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value and the fair value of any related assets is deducted to determine the net obligation.

The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the municipality's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in surplus or deficit in the period in which they arise.

**18.2.4 TERMINATION BENEFITS**

Termination benefits are recognised as an expense when the municipality is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the municipality has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

**19 VALUE ADDED TAX (VAT)**

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or is out of scope for VAT purposes. The municipality accounts for VAT on a monthly basis.

**20 IMPAIRMENT OF ASSETS**

Primary objective for cash generating assets is to generate a commercial return and the primary objective for non-cash generating asset is service delivery. The municipality uses the following sets of questions as a criteria to distinguish between cash generating and non-cash generating assets:

- (a) Was the asset acquired to generate a commercial return?
- (b) Does the asset operate independently from other assets?
- (c) Does the asset generate cash flows independently from other assets?

If the answer is yes to all of these questions, then the municipality accounts for the asset as a cash generating asset. If the above criteria is not met, the municipality accounts for the asset as non-cash generating asset.

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a non-cash generating unit is the higher of its fair value less costs to sell and its value in use. The recoverable carrying amount is higher of its fair value less cost to sell and its value in use.

Value in use of a cash generating asset is determined as the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life. Value in use of a non-cash generating asset is determined as the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

**21 INCOME TAX**

As a registered company the municipal entity is registered for income tax. However the entity applied for tax exemption and was granted same

**22 RELATED PARTIES**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control; or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

**23 EVENTS AFTER THE REPORTING DATE**

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the annual financial statements.

**24 CAPITAL COMMITMENTS**

Items are classified as commitments where the municipal entity commits itself to future transactions that will normally result in the outflow of resources. Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes of the annual financial statements.

## Elimination Journal Entries

AFS Item	Debit	Credit
<b>Journal Entry 1</b>		
Payables from Exchange transactions	309 368,00	
Transfers to / from accumulated surplus/	93 556,00	
Other receivables		402 924,00
<b>Eliminating intercompany balances</b>		
<b>Journal Entry 2</b>		
Rental income	263 491,00	
Transfers to / from accumulated surplus/(deficit)		80 219,00
General Expenses		183 272,00
<b>Eliminating Rental income</b>		
<b>Journal Entry 3</b>		
Operational Exp Grant	12 800 000,00	
Ilembe District Municipality - LED	2 000 000,00	
Ilembe District Municipality - Tourism	978 324,00	
Unspent Conditional Grants - Tourism	21 676,00	
LED Expenditure		15 800 000,00
<b>Eliminating Grants from IDM</b>		
	16 466 415,00	16 466 415,00





**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at 30 June 2014**

<b>TRADE AND OTHER RECEIVABLES FROM</b>	<b>Gross</b>	<b>Provision for</b>	<b>Net Balance</b>	<b>IDM Total</b>
<b>2 EXCHANGE TRANSACTIONS</b>	<b>Balances</b>	<b>Bad debts</b>		
<b><u>Trade receivables</u></b>	<b>R</b>			
<b>as at 30 June 2014</b>				
Service debtors				
Water and Sewerage	166 710 220	75 655 325	91 054 895	91 054 895
Direct Deposits	(426 628)	-	(426 628)	(426 628)
<b>Total</b>	<b>166 283 592</b>	<b>75 655 325</b>	<b>90 628 267</b>	<b>90 628 267</b>
<b><u>Other Receivables</u></b>				
Umgengi water debtor	5 730 444	-	5 730 444	5 730 444
Department of Education	653 628	-	653 628	-
Accrued interest	80 137	-	80 137	80 137
Ilembe Enterprise	-	-	-	402 924
Outstanding deposits	996 961	-	996 961	996 961
Other debtors	11 832 770	-	11 832 770	11 748 661
AOD	489 679	-	489 679	489 679
Vat receivable	402 158	-	402 158	-
<b>Total other Receivables</b>	<b>20 185 777</b>	<b>-</b>	<b>20 185 777</b>	<b>19 448 807</b>

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

<b>Total Trade and other receivables</b>	<b>186 469 369</b>	<b>75 655 325</b>	<b>110 814 044</b>	<b>110 077 074</b>
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**at June 2013**

Service debtors				
Water and Sewerage	146 717 363	75 442 981	71 274 382	71 274 382
Direct Deposits	(597 471)		(597 471)	(597 471)
<b>Total</b>	<b>146 119 892</b>	<b>75 442 981</b>	<b>70 676 911</b>	<b>70 676 911</b>
<b><u>Other receivables</u></b>				
Umgengi water debtor	2 187 040	-	2 187 040	2 187 040
Accrued interest	122 520	-	122 520	122 520
Ilembe Enterprise	-	-	-	179 576
Outstanding deposits	1 622 767	-	1 622 767	1 622 767
Other debtors	4 173 142	-	4 173 142	3 114 067
Fruitless and wasteful expenditure	68 712	68 712	0	0
Acknowledgement Of Debts	593 088	251 178	341 910	341 910
Vat receivable	6 073 668	-	6 073 668	6 047 297
<b>Other receivables</b>	<b>14 840 937</b>	<b>319 890</b>	<b>14 521 047</b>	<b>13 615 177</b>
<b>Total Trade and other receivables</b>	<b>160 960 828</b>	<b>75 762 871</b>	<b>85 197 957</b>	<b>84 292 087</b>

**Summary of Debtors by Customer Classification**

	<b>Residential</b>	<b>Industrial/Commercial</b>	<b>National and Provincial Government</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>as at 30 June 2014</b>			
Current (0 – 30 days)	14 935 310	476 654	1 008 243
31 - 60 Days	16 524 318	306 063	809 876
61 - 90 Days	5 754 688	386 048	468 406
91 - 120 Days	3 851 525	102 493	387 334
121 - 365 Days	5 204 140	309 096	274 236
+ 365 Days	109 146 048	2 358 672	4 407 072
Sub-total	<b>155 416 028</b>	<b>3 939 025</b>	<b>7 355 167</b>
Less: Provision for doubtful debts	(75 655 325)	-	-
<b>Total debtors by customer classification</b>	<b>79 760 703</b>	<b>3 939 025</b>	<b>7 355 167</b>

**at 30 June 2013**

Current (0 – 30 days)	7 007 629	1 617 683	806 646
31 - 60 Days	10 079 168	717 336	778 433
61 - 90 Days	9 316 077	626 460	279 085
91 - 120 Days	3 805 728	371 364	247 377
121 - 365 Days	4 280 241	273 179	195 246
+ 365 Days	99 102 584	4 523 619	2 689 509
Sub-total	<b>133 591 420</b>	<b>8 129 640</b>	<b>4 996 295</b>

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
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Less: Provision for doubtful debts	(75 442 981)		
<b>Total debtors by customer classification</b>	<b>58 148 446</b>	<b>8 129 640</b>	<b>4 996 295</b>

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
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	<b>GROUP 2014 R</b>	<b>IDM 2014 R</b>	<b>GROUP 2013 R</b>	<b>IDM 2013 R</b>
<b><u>Water and Sewerage: Ageing</u></b>				
Current (0 – 30 days)	16 420 207	16 420 207	9 431 958	9 431 958
31 - 60 Days	17 640 256	17 640 256	11 574 936	11 574 936
61 - 90 Days	6 609 142	6 609 142	10 221 622	10 221 622
91 - 120 Days	4 341 352	4 341 352	4 424 469	4 424 469
121 - 365 Days	5 787 472	5 787 472	111 064 378	111 064 378
+ 365 Days	115 911 791	115 911 791		
<b>Total</b>	<b>166 710 220</b>	<b>166 710 220</b>	<b>146 717 363</b>	<b>146 717 363</b>

**Reconciliation of the doubtful debt provision**

Balance at beginning of the year	75 694 159	75 694 159	128 796 807	128 796 807
Contributions to provision	18 547 232	18 547 232	18 738 552	18 738 552
Bad debts recovered	3 242 654	3 242 654	-	-
Doubtful debts written off against provision	(21 828 720)	(21 828 720)	(71 841 200)	(71 841 200)
<b>Balance at end of year</b>	<b>75 655 325</b>	<b>75 655 325</b>	<b>75 694 159</b>	<b>75 694 159</b>

**3 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following:

Petty cash and cash on hand	24 000	24 000	25 673	24 000
Bank statement balance	47 032 818	44 814 379	24 868 859	21 971 406
	<b>47 056 818</b>	<b>44 838 379</b>	<b>24 894 532</b>	<b>21 995 406</b>

The Municipality has the following bank accounts: -

**Water Bank Account**

*ABSA Bank Account - Durban Branch*  
*Account Number 4057878321 - Current Account*

Cash book balance at beginning of year	11 690 566	11 690 566	3 978 437	3 978 437
Cash book balance at end of year	<b>3 862 941</b>	<b>3 862 941</b>	<b>11 690 566</b>	<b>11 690 566</b>
Bank statement balance at beginning of year	10 665 280	10 665 280	1 798 326	1 798 326
Bank statement balance at end of year	<b>3 190 450</b>	<b>3 190 450</b>	<b>10 665 280</b>	<b>10 665 280</b>

**Salaries Bank Account**

*First National Bank - Durban Branch*  
*Account Number 62006302385 - Current Account*

Cash book balance at beginning of year	51 413	51 413	(2 686 071)	(2 686 071)
Cash book balance at end of year	<b>271 645</b>	<b>271 645</b>	<b>51 413</b>	<b>51 413</b>
Bank statement balance at beginning of year	51 403	51 403	73 125	73 125
Bank statement balance at end of year	<b>271 645</b>	<b>271 645</b>	<b>51 403</b>	<b>51 403</b>

**Main Bank Account**

*First National Bank Account - Durban Branch*  
*Account Number 62006302385 : Current Account*

Cash book balance at beginning of year	1 251 477	1 251 477	4 909 914	4 909 914
Cash book balance at end of year	<b>1 640 820</b>	<b>1 640 820</b>	<b>1 251 477</b>	<b>1 251 477</b>
Bank statement balance at beginning of year	1 275 920	1 275 920	4 909 914	4 909 914
Bank statement balance at end of year	<b>2 397 916</b>	<b>2 397 916</b>	<b>1 275 920</b>	<b>1 275 920</b>

**Revenue Bank Account**

*First National Bank - Durban Branch*

Cash book balance at beginning of year	789 588	789 588	-	-
Cash book balance at end of year	<b>2 632 166</b>	<b>2 632 166</b>	<b>789 588</b>	<b>789 588</b>
Bank statement balance at beginning of year	819 057	819 057	-	-
Bank statement balance at end of year	<b>2 734 324</b>	<b>2 734 324</b>	<b>819 057</b>	<b>819 057</b>

**Projects Bank Account**

*First National Bank - Durban Branch*  
*Account Number 62046718641 - Current Account*

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
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	<b>GROUP 2014 R</b>	<b>IDM 2014 R</b>	<b>GROUP 2013 R</b>	<b>IDM 2013 R</b>
Cash book balance at beginning of year	406 572	406 572	21 473	21 473
Cash book balance at end of year	<b>9 063 597</b>	<b>9 063 597</b>	<b>406 572</b>	<b>406 572</b>
Bank statement balance at beginning of year	406 572	406 572	21 473	21 473
Bank statement balance at end of year	<b>9 063 597</b>	<b>9 063 597</b>	<b>406 572</b>	<b>406 572</b>

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
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	GROUP 2014 R	IDM 2014 R	GROUP 2013 R	IDM 2013 R
<b>Enterprise Ilembe Produce Bank Account</b>				
ABSA - Public Sector KwaZulu Natal Account Number 4078679825 - Current Account				
Cash book balance at beginning of year	3 506	-	17 969	-
Cash book balance at end of year	-	-	<b>3 506</b>	-
Bank statement balance at beginning of year	3 506	-	17 969	-
Bank statement balance at end of year	-	-	<b>3 506</b>	-
<b>Enterprise Ilembe Rocabix - Trust Bank Account</b>				
First National Bank Account - Kloof Branch Account Number 62347813471 - Current Account				
Cash book balance at beginning of year	-	-	302	-
Cash book balance at end of year	-	-	-	-
Bank statement balance at beginning of year	-	-	302	-
Bank statement balance at end of year	-	-	-	-
<b>Enterprise Ilembe Rocablox - Trust Bank Account</b>				
First National Bank Account - Kloof Branch Account Number 62347813471 - Current Account				
Cash book balance at beginning of year		-	302	-
Cash book balance at end of year		-	-	-
Bank statement balance at beginning of year		-	302	-
Bank statement balance at end of year		-	-	-
<b>Enterprise Ilembe Rocabex - Trust Bank Account</b>				
First National Bank Account - Kloof Branch Account Number 62347813471 - Current Account				
Cash book balance at beginning of year	206 011	-	145 829	-
Cash book balance at end of year	<b>206 730</b>	-	<b>206 011</b>	-
Bank statement balance at beginning of year	206 011	-	145 829	-
Bank statement balance at end of year	<b>206 730</b>	-	<b>206 011</b>	-
<b><u>Enterprise iLembe FNB Account - Stanger Branch</u></b>				
ABSA Bank Account - Business Centre KwaZulu Natal Account Number 4060362852 - Current Account				
Cash book balance at beginning of year	-		-	-
Cash book balance at end of year	<b>2 011 709</b>	-	-	-
Bank statement balance at beginning of year	-	-	-	-
Bank statement balance at end of year	<b>2 011 709</b>	-	-	-
<b><u>Enterprise Ilembe Main Bank Account</u></b>				
ABSA Bank Account - Business Centre KwaZulu Natal Account Number 4060362852 - Current Account				

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
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	<b>GROUP 2014 R</b>	<b>IDM 2014 R</b>	<b>GROUP 2013 R</b>	<b>IDM 2013 R</b>
Cash book balance at beginning of year	1 600 543		1 776 337	-
Cash book balance at end of year	-	-	<b>1 600 543</b>	-
Bank statement balance at beginning of year	1 600 543	-	1 776 337	-
Bank statement balance at end of year	-	-	<b>1 600 543</b>	-
<b><u>Investment Current Account</u></b>				
<i>ABSA Bank Account - Durban Branch</i>				
<i>Account Number 9114541258 : Call Account</i>				
Bank statement balance at the beginning of the year	104 539	104 539	101 269	101 269
Bank statement balance at the end of the year	<b>107 817</b>	<b>107 817</b>	<b>104 539</b>	<b>104 539</b>
<b><u>Investment Current Account</u></b>				
<i>ABSA Bank Account - Durban Branch</i>				
<i>Account Number 9183363524 : Call account</i>				
Bank statement balance at the beginning of the year	19 999	19 999	19 373	19 373
Bank statement balance at the end of the year	<b>20 565</b>	<b>20 565</b>	<b>19 999</b>	<b>19 999</b>
<b><u>Investment Current Account</u></b>				
<i>ABSA Bank Account - Durban Branch</i>				
<i>Account Number 9095950633 : Call Account</i>				
Bank statement balance at the beginning of the year	16 444	16 444	15 929	15 929
Bank statement balance at the end of the year	<b>16 896</b>	<b>16 896</b>	<b>16 444</b>	<b>16 444</b>
<b><u>Investment Current Account</u></b>				
<i>ABSA Bank Account - Durban Branch</i>				
<i>Account Number 2066739798 : Call account</i>				
Bank statement balance at the beginning of the year	-	-	883 597	883 597
Bank statement balance at the end of the year	-	-		
<b><u>Investment Current Account</u></b>				
<i>ABSA Bank Account - Durban Branch</i>				
<i>Account Number 2070224909 : Call Account</i>				
Bank statement balance at the beginning of the year	-	-	244 771	244 771
Bank statement balance at the end of the year	-	-		
<b><u>Investment Current Account</u></b>				
<i>ABSA Bank Account - Durban Branch</i>				
<i>Account Number 007025062 - Call Account</i>				
Bank statement balance at the beginning of the year	1 611 662	1 611 662	1 548 667	1 548 667
Bank statement balance at the end of the year	<b>21 693 144</b>	<b>21 693 144</b>	<b>1 611 662</b>	<b>1 611 662</b>
<b><u>Investment Current Account</u></b>				
<i>First National Bank Account - Durban Branch</i>				
<i>Account Number 61085067093 : Call Account</i>				
Bank statement balance at the beginning of the year	54 884	54 884	1 149	1 149
Bank statement balance at the end of the year	<b>1 095</b>	<b>1 095</b>	<b>54 884</b>	<b>54 884</b>
<b><u>Investment Current Account</u></b>				
<i>First National Bank Account - Durban Branch</i>				
<i>Account Number 74091301628 : Call Account</i>				
Bank statement balance at the beginning of the year	-	-	270 037	270 037
Bank statement balance at the end of the year				
<b><u>Investment Current Account</u></b>				
<i>First National Bank Account - Durban Branch</i>				
<i>Account Number 74104346206 : Call Account</i>				
Bank statement balance at the beginning of the year	433 943	433 943	413 361	413 361
Bank statement balance at the end of the year	<b>455 540</b>	<b>455 540</b>	<b>433 943</b>	<b>433 943</b>
<b><u>Investment Current Account</u></b>				

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
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	<b>GROUP 2014 R</b>	<b>IDM 2014 R</b>	<b>GROUP 2013 R</b>	<b>IDM 2013 R</b>
<i>First National Bank Account - Durban Branch</i>				
<i>Account Number 61085067093 : Call Account</i>				
Bank statement balance at the beginning of the year	-	-	4 462	4 462
Bank statement balance at the end of the year	<b>669 084</b>	<b>669 084</b>		
<b><u>Investment Current Account</u></b>				
<i>First National Bank</i>				
<i>Account Number 62313562309 : Call Account</i>				
Bank statement balance at the beginning of the year	4 521 993	4 521 993	1 028	1 028
Bank statement balance at the end of the year	<b>778 933</b>	<b>778 933</b>	<b>4 521 993</b>	<b>4 521 993</b>



**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
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	GROUP 2014 R	IDM 2014 R	GROUP 2013 R	IDM 2013 R
<b><u>Investment Current Account</u></b>				
<i>First National Bank Account - Durban Branch</i>				
<i>Account Number 62 129309937 : Call Account</i>				
Bank statement balance at the beginning of the year	40 876	40 876	3 065 267	3 065 267
Bank statement balance at the end of the year	<b>1 160</b>	<b>1 160</b>	<b>40 876</b>	<b>40 876</b>
<b><u>Investment Current Account</u></b>				
<i>First National Bank Account - Durban Branch</i>				
<i>Account Number 74274097341 : Call Account</i>				
Bank statement balance at the beginning of the year	-	-	608 074	608 074
Bank statement balance at the end of the year	-	-		
<b><u>Investment Current Account</u></b>				
<i>Standard Bank Account - Durban Branch</i>				
<i>Account Number 293302 : Call Account</i>				
Bank statement balance at the beginning of the year	1 948 834	1 948 834	1 854 253	1 854 253
Bank statement balance at the end of the year	-	-	<b>1 948 834</b>	<b>1 948 834</b>
<b><u>Investment Current Account</u></b>				
<i>Investec Bank Account - Durban Branch</i>				
<i>Account Number 1100-435877 : Call Account</i>				
Bank statement balance at the beginning of the year	-	-	9 702 842	9 702 842
Bank statement balance at the end of the year	-	-		
<b><u>Investment Current Account</u></b>				
<i>Investec Bank Account - Durban Branch</i>				
<i>Account Number 50003105474 : Call Account</i>				
Bank statement balance at the beginning of the year	-	-	-	-
Bank statement balance at the end of the year	<b>3 201 377</b>	<b>3 201 377</b>	-	-
<b><u>Investment Current Account</u></b>				
<i>Rand Merchant Bank Account</i>				
<i>Account Number DC02E000066 : Call Account</i>				
Bank statement balance at the beginning of the year	-	-	4 542 368	4 542 368
Bank statement balance at the end of the year	<b>210 836</b>	<b>210 836</b>	-	-
<b><u>Investment Current Account - Enterprise iLembe</u></b>				
<i>Investec: Sandton Branch,</i>				
<i>Account Number 50004108608</i>				
Bank statement balance at the beginning of the year	1 087 393			
Bank statement balance at the end of the year	-		<b>1 087 393</b>	
<b><u>Petty cash and cash on hand</u></b>	<b>24 000</b>	<b>24 000</b>	<b>25 674</b>	<b>24 000</b>
Cash book balance at beginning of year	15 210 087	13 400 028	8 164 492	6 223 753
Cashbook balance at year end	<b>19 713 608</b>	<b>17 495 168</b>	<b>15 210 087</b>	<b>13 400 028</b>
<b>4 TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>				
KwaDukuza Municipality	772 426	772 426	20 619 944	20 619 944
Department of Water Affairs	18 674 083	18 674 083	25 421 749	25 421 749
<b>Total Other Debtors</b>	<b>19 446 509</b>	<b>19 446 509</b>	<b>46 041 693</b>	<b>46 041 693</b>
<b>5 OTHER NON-CURRENT FINANCIAL ASSETS</b>				
Investments in municipal entity - Enterprise Ilembe Development Agency		<b>100</b>		<b>100</b>

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at 30 June 2014**

**6 INVENTORIES**

**Opening balance of inventories:**

Consumable stores - at Net Replacement Cost

Raw wine stock

Water

**Movements:**

Consumable stores

Raw wine stock

Water

**Closing balance of inventories:**

Consumable stores

Raw wine stock

Water

	<b>GROUP 2014 R</b>	<b>IDM 2014 R</b>	<b>GROUP 2013 R</b>	<b>IDM 2013 R</b>
	<b>5 071 933</b>	<b>5 062 183</b>	<b>5 027 831</b>	<b>5 027 831</b>
Consumable stores - at Net Replacement Cost	4 770 977	4 770 977	4 749 130	4 749 130
Raw wine stock	9 750	-	-	-
Water	291 206	291 206	278 701	278 701
<b>Movements:</b>	<b>2 016 256</b>	<b>2 016 256</b>	<b>44 102</b>	<b>34 352</b>
Consumable stores	2 044 488	2 044 488	21 847	21 847
Raw wine stock			9 750	
Water	(28 232)	(28 232)	12 505	12 505
<b>Closing balance of inventories:</b>	<b>7 078 439</b>	<b>7 078 439</b>	<b>5 071 933</b>	<b>5 062 183</b>
Consumable stores	6 815 465	6 815 465	4 770 977	4 770 977
Raw wine stock	-	-	9 750	-
Water	262 974	262 974	291 206	291 206

**7 NON-CURRENT RECEIVABLES**

Staff loans

Less: Provision for bad debts

**Total**

Staff loans	253 801	253 801	242 917	242 917
Less: Provision for bad debts	(236 494)	(236 494)	(242 917)	(242 917)
<b>Total</b>	<b>17 307</b>	<b>17 307</b>	<b>-</b>	<b>-</b>

These loans were as a result of bursaries granted to certain staff members as part of a bursary scheme approved by council in previous financial years.

**8 INVESTMENTS**

**Financial Instruments**

ABSA zero coupon investment

This investment has been ceded as security against the long term loan from ABSA disclosed in Note 16

ABSA zero coupon investment	<b>21 549 063</b>	<b>21 549 063</b>	<b>20 115 704</b>	<b>20 115 704</b>
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**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at 30 June 2014**

**10 PROPERTY, PLANT AND EQUIPMENT**

**10,1 Reconciliation of Carrying Value**

	Land	Buildings	Agriculture PPE	Infrastructure Water & Sewer	Assets Under Construction	Other Assets	Finance lease assets	Total	IDM Total
	R	R		R		R	R	R	R
<b>as at 1 July 2013</b>	<b>3 242 908</b>	<b>13 744 488</b>	<b>16 098 627</b>	<b>710 208 900</b>	<b>413 077 755</b>	<b>10 517 008</b>	<b>5 726 133</b>	<b>1 172 581 327</b>	<b>1 143 555 003</b>
Cost/Revaluation	3 242 908	18 604 636	18 351 551	793 116 041	413 077 755	22 255 978	21 926 035	1 290 574 904	1 258 971 075
Correction of prior year error (note 31)		855	42 853	-		(9 216)	-	34 492	
Accumulated depreciation and impairment losses	-	(4 861 003)	(2 295 777)	(82 907 141)	-	(11 729 754)	(16 199 903)	(117 993 577)	(115 416 072)
Acquisitions	-	-		188 377 409	-	921 744	-	189 299 153	189 264 801
Capital under Construction	-	-		-	296 838 018	-	-	296 838 018	296 838 018
Depreciation	-	(630 098)	(1 235 918)	(31 834 416)		(3 011 168)	(3 605 736)	(40 317 336)	(38 958 588)
								-	
Carrying value of disposals	-	<b>(98 533)</b>		<b>(576 144)</b>	-	<b>(182 044)</b>	<b>(143 117)</b>	<b>(999 838)</b>	<b>(999 838)</b>
Cost/Revaluation	-	(105 257)		(655 177)	-	(765 385)	(10 025 308)	(11 551 127)	(11 551 127)
Accumulated depreciation and impairment losses	-	6 725		79 033		583 341	9 882 191	10 551 289	10 551 289
Impairment loss/Reversal of impairment loss	-	-		(299 655 005)		(87 653)	-	(299 742 658)	(299 742 658)
Transfers	-	-		-	(190 696 536)	-	-	(190 696 536)	(190 696 536)
Other movements	-	-		-		-	-	-	-
<b>As at 30 June 2014</b>	<b>3 242 908</b>	<b>13 015 858</b>	<b>14 862 709</b>	<b>565 113 160</b>	<b>519 219 237</b>	<b>8 157 887</b>	<b>1 977 280</b>	<b>1 125 519 353</b>	<b>1 097 852 616</b>
Cost/Revaluation	3 242 908	18 499 379	18 351 551	980 838 272	519 219 237	22 403 121	11 900 727	1 574 385 513	1 542 826 231
Accumulated depreciation and impairment losses	-	(5 483 521)	(3 488 842)	(415 725 113)	-	(14 245 234)	(9 923 447)	(448 866 157)	(444 973 612)

**ILEMBE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

**10,2 Reconciliation of Carrying Value**

	Land	Buildings	Agriculture PPE	Infrastructure Water & Sewer	Assets Under Construction	Other Assets	Finance lease assets	Total	IDM Total
	R	R		R		R	R	R	R
<b>as at 1 July 2012</b>	<b>3 242 908</b>	<b>14 366 929</b>	<b>13 246 071</b>	<b>620 513 890</b>	<b>227 866 479</b>	<b>12 339 630</b>	<b>10 295 890</b>	<b>901 871 796</b>	<b>873 683 868</b>
Cost/Revaluation	3 242 908	18 593 834	14 471 198	699 618 439	227 866 479	22 585 019	22 388 844	1 008 766 721	979 176 077
Correction of prior year error (note 31) - Cost	-	-		(12 207 296)		148 038	-	(12 059 258)	(12 057 822)
Correction of prior year error (note 31) - Accumulated depreciation and impairment losses	-	(17 897)	782	(1 046 311)	-	(11 855)	-	(1 075 281)	(1 063 801)
Accumulated depreciation and impairment losses		(4 209 008)	(1 225 909)	(65 850 942)		(10 381 572)	(12 092 955)	(93 760 386)	(92 370 586)
Acquisitions	-	10 802	3 880 353	103 119 652		2 048 057	-	109 058 864	104 996 856
Capital under Construction	-	-		8 188 663	185 211 276	-	-	193 399 939	195 442 767
Depreciation	-	(634 098)	(1 070 650)	(16 009 888)		(3 120 648)	(4 435 203)	(25 270 486)	(24 094 261)
Carrying value of disposals	-	-		<b>(5 603 417)</b>		<b>(602 232)</b>	<b>(134 554)</b>	<b>(6 340 203)</b>	<b>(6 335 644)</b>
Cost/Revaluation	-	-	-	(5 603 417)		(2 525 136)	(462 809)	(8 591 362)	(8 586 803)
Accumulated depreciation and impairment losses	-	-		-		1 922 904	328 255	2 251 159	2 251 159
Impairment loss/Reversal of impairment loss	-	-		-		(138 583)	-	(138 583)	(138 583)
Transfers	-	-		-		-	-	-	-
*Other movements	-	-		-		-	-	-	-
<b>as at 30 June 2013</b>	<b>3 242 908</b>	<b>13 743 633</b>	<b>16 055 774</b>	<b>710 208 900</b>	<b>413 077 755</b>	<b>10 526 224</b>	<b>5 726 133</b>	<b>1 172 581 327</b>	<b>1 143 555 003</b>
Cost/Revaluation	3 242 908	18 604 636	18 351 551	793 116 041	413 077 755	22 255 978	21 926 035	1 290 574 904	1 258 971 075
Accumulated depreciation and impairment losses	-	(4 861 003)	(2 295 777)	(82 907 141)	-	(11 729 754)	(16 199 903)	(117 993 577)	(115 416 072)

Refer to Appendix B for more detail on property, plant and equipment

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at 30 June 2014**

**11 HERITAGE ASSETS**

	<b>Moveable Objects</b>	<b>Total</b>	<b>IDM Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>11,1 Reconciliation of carrying value</b>			
<b>as at 1 July 2013</b>	<b>205 578</b>	<b>205 578</b>	<b>205 578</b>
Cost	205 578	205 578	205 578
Accumulated impairment losses	-	-	-
<b>As at 30 June 2014</b>	<b>205 578</b>	<b>205 578</b>	<b>205 578</b>
Cost	205 578	205 578	205 578
Accumulated impairment losses	-	-	-
<b>11,2 Reconciliation of carrying value</b>	<b>Moveable Objects</b>	<b>Total</b>	
	<b>R</b>	<b>R</b>	
<b>as at 1 July 2013</b>	<b>205 578</b>	<b>205 578</b>	<b>205 578</b>
Cost	205 578	205 578	205 578
Accumulated impairment losses	-	-	-
<b>as at 30 June 2014</b>	<b>205 578</b>	<b>205 578</b>	<b>205 578</b>
Cost	205 578	205 578	205 578
Accumulated impairment losses	-	-	-

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**12 INTANGIBLE ASSETS**

**12,1 Reconciliation of carrying value**

	<b>Licenses</b>	<b>Computer Software</b>	<b>Total</b>	<b>IDM Total</b>
		<b>R</b>	<b>R</b>	<b>R</b>
<b>as at 1 July 2013</b>	<b>2 124 396</b>	<b>4 307 106</b>	<b>6 431 502</b>	<b>6 418 634</b>
Cost	2 198 894	6 908 259	9 107 153	9 081 493
Accumulated amortisation and impairment losses	(74 497)	(2 601 153)	(2 675 650)	(2 662 859)
Acquisitions	5 539	945 507	951 046	941 692
Amortisation	-	(1 356 509)	(1 356 509)	(1 349 662)
Other movements	-	(257)	(257)	-
<b>As at 30 June 2014</b>	<b>2 129 936</b>	<b>3 895 847</b>	<b>6 025 785</b>	<b>6 010 666</b>
Cost	2 204 433	7 853 766	10 058 199	10 023 186
Accumulated amortisation and impairment losses	(74 497)	(3 957 919)	(4 032 416)	(4 012 521)

**12,2 Reconciliation of carrying value**

	<b>Licenses</b>	<b>Computer Software</b>	<b>Total</b>	<b>IDM Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>As at 1 July 2012</b>	<b>2 012 171</b>	<b>1 261 895</b>	<b>3 274 065</b>	<b>3 255 688</b>
Cost	2 014 795	3 133 717	5 148 512	5 122 852
Accumulated amortisation and impairment losses	(2 624)	(1 871 822)	(1 874 446)	(1 867 163)
Acquisitions	184 098	3 779 747	3 963 846	4 040 992
Amortisation	(71 873)	(733 146)	(805 019)	(799 887)
Carrying value of disposals		<b>(1 881)</b>	<b>(1 881)</b>	<b>(1 881)</b>
Cost	-	(5 204)	(5 204)	(5 204)
Accumulated amortisation	-	3 324	3 324	3 324
Other movements	-	491	491	867
<b>As at 30 June 2013</b>	<b>2 124 396</b>	<b>4 307 106</b>	<b>6 431 501</b>	<b>6 418 634</b>
Cost	2 198 894	6 908 259	9 107 153	9 081 493
Accumulated amortisation and impairment losses	(74 497)	(2 601 153)	(2 675 650)	(2 662 859)

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**13 BIOLOGICAL ASSETS**

**13,1 Reconciliation of carrying value**

	<b>Biological Assets R</b>	<b>Total R</b>	<b>IDM Total R</b>
<b>as at 1 July 2013</b>	<b>2 294 800</b>	<b>2 294 800</b>	-
Cost	2 294 800	2 294 800	-
Accumulated amortisation and impairment losses	-	-	-
Loss on fair value	(276 480)	(276 480)	-
Amortisation	-	-	-
Carrying value of disposals	-	-	-
Cost	-	-	-
Accumulated amortisation	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
<b>As at 30 June 2014</b>	<b>2 018 320</b>	<b>2 018 320</b>	-
Cost	2 018 320	2 018 320	-
Accumulated amortisation and impairment losses	-	-	-

**13,2 Reconciliation of carrying value**

	<b>Biological Assets R</b>	<b>Total R</b>	<b>IDM Total R</b>
<b>As at 1 July 2012</b>	<b>1 038 400</b>	<b>1 038 400</b>	-
Cost	1 038 400	1 038 400	-
Accumulated amortisation and impairment losses	-	-	-
Gain on fair value	1 256 400	1 256 400	-
Amortisation	-	-	-
Carrying value of disposals	-	-	-
Cost	-	-	-
Accumulated amortisation	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
<b>As at 30 June 2013</b>	<b>2 294 800</b>	<b>2 294 800</b>	-
Cost	2 294 800	2 294 800	-
Accumulated amortisation and impairment losses	-	-	-

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	GROUP 2014 R	IDM 2014 R	GROUP 2013 R	IDM 2013 R
<b>14 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>				
Trade creditors	46 370 751	46 370 751	39 241 836	39 241 836
Debtors with credit balances	5 680 841	5 680 841	5 084 481	5 084 481
Staff leave accrual	10 443 717	9 951 655	8 446 216	8 123 433
Outstanding Payments	757 097	757 097	24 443	24 443
Other creditors	107 276 997	106 821 749	85 507 159	84 747 162
Consumer water deposits	4 723 194	4 723 194	3 357 941	3 357 941
Vat payable	7 033 098	7 033 098	-	-
<b>Total creditors</b>	<b>182 285 694</b>	<b>181 338 385</b>	<b>141 662 076</b>	<b>140 579 296</b>

The fair value of trade and other payables approximates their carrying amounts.

**15 TRADE AND OTHER PAYABLES FROM NON-EXCHANGE TRANSACTIONS**

**Unspent Conditional Grants and Receipts**

Provincial Township Establishment	1 319 805	1 319 805	1 881 915	1 881 915
Shared Services (Financial Systems)	-	-	-	-
Section 78	200 000	200 000	200 000	200 000
Provincial Management Assistance	-	-	-	-
MIG	3 193 174	3 193 174	53 182	53 182
Beach restoration Grant	-	-	-	-
Melville Package Plant	-	-	611 118	611 118
Rural Housing Grant	4 000 000	4 000 000	-	-
Customer Satisfaction Survey	26 958	26 958	580 000	580 000
Water Services Operating Grant	9 035 267	9 035 267	-	-
IGR Grant	-	-	73 800	73 800
Municipal Governance & Administration	198 015	198 015	573 084	573 084
Lower Tugela Bulk	-	-	-	-
Environmental Management	24 459	24 459	307 639	307 639
Financial Management Grant	141 332	141 332	-	-
Groutville Sanitation	-	-	-	-
Municipal Systems improvement Grant	-	-	-	-
LG SETA	-	-	250 042	250 042
Operating Refurb Grant	-	-	-	-
Agri Processing Facilities Ex DCGTA	2 418 580	-	5 818 580	-
LED Grant	-	-	106 509	-
LED Strategy	335 182	-	105 135	-
MWIG	517 772	517 772	-	-
Massification Grant	-	-	-	-
Ndwedwe Town Development	507 707	507 707	507 707	507 707
Corridor Funding	535 864	535 864	535 864	535 864
Disaster Management - DBSA	165 477	165 477	165 476	165 476
EPWP	2 349 000	2 349 000	1 349 000	1 349 000
Rural Transport Service Grant	267 487	267 487	768 926	768 926
Grants - Other	992 800	992 800	992 800	992 800
Disaster Management	55 318	-	55 318	-
Siza Water Concession	243 322	-	2 086 378	-
North Coast Wine Project	-	-	531 059	-
Amacambini Development Project	757 666	-	757 666	-
Integrated Craft Hub	227 315	-	227 315	-
Maphumulo Small Town Rehabilitation	85 965	-	85 965	-
Nonoti Beach Resort	49 123	-	49 123	-
Moringa Tree Plantations	2 400 000	-	-	-
Fresh Produce Market	278 049	-	278 049	-
Tourism King Shaka Route	400 000	-	-	-
IDC Projects Grant	285 836	-	1 622 610	-
Growth Summit	148 804	-	-	-
Ndwedwe Tunnels	275 350	-	-	-
<b>Total Unspent Conditional Grants and Receipts</b>	<b>31 435 625</b>	<b>23 475 118</b>	<b>20 574 259</b>	<b>8 850 554</b>

<b>Non-current unspent conditional grants and receipts</b>	-	-	-	-
<b>Current portion of unspent conditional grants and receipts</b>	<b>31 435 625</b>	<b>23 475 118</b>	<b>20 574 259</b>	<b>8 850 554</b>

See Note 21 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.

**16 BORROWINGS**

Development Bank of South Africa	59 383 844	59 383 844	62 233 374	62 233 374
ABSA	290 000 000	30 000 000	30 000 000	30 000 000



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	<b>GROUP 2014 R</b>	<b>IDM 2014 R</b>	<b>GROUP 2013 R</b>	<b>IDM 2013 R</b>
	<b>89 383 844</b>	<b>89 383 844</b>	<b>92 233 374</b>	<b>92 233 374</b>
<b>Less : Current portion transferred to current liabilities</b>	3 115 127	3 115 127	2 607 447	2 607 447
Development Bank of South Africa	3 115 127	3 115 127	2 607 447	2 607 447
ABSA	-	-	-	-
<b>Non current portion of borrowings</b>	<b>86 268 717</b>	<b>86 268 717</b>	<b>89 625 927</b>	<b>89 625 927</b>

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	<b>GROUP 2014 R</b>	<b>IDM 2014 R</b>	<b>GROUP 2013 R</b>	<b>IDM 2013 R</b>
<b>Development Bank of South Africa</b>				

Bear interest at rates between 9.02% and 11.04% per annum and are repayable every six months with the last repayment due on 30 September 2025.

**ABSA Loan**

Bears interest at 10.8% per annum, interest is paid quarterly and the loan is repayable in 2025.

Refer to Appendix A for more detail on borrowings.

**17 FINANCE LEASE LIABILITY**

<b>as at 30 June 2014</b>	<b>Minimum lease payment R</b>	<b>Future finance charges R</b>	<b>Present value of minimum lease payments R</b>
<b>Amounts payable under finance lease</b>			
Within one year	1 498 707	46 414	1 452 292
Within two to five years	461 628	20 581	441 046
	<u>1 960 335</u>	<u>-</u>	<u>1 893 339</u>
Less: Amount due for settlement within 12 months (current portion)			1 452 292
			<u><b>441 046</b></u>

The leases are for a variety of motor vehicles that are utilised in the course of performing the Municipality's powers and functions. The leases are for five years and 240 000 kilometres. The interest rates vary between 9.0% and 15.5%. The termination dates vary between November 2013 and November 2015. The leases are repaid monthly and include maintenance and make provision for the payment of excess distance travelled where applicable. At the termination of the leases the vehicles revert to the lessor.

<b>as at 30 June 2013</b>	<b>Minimum lease payment R</b>	<b>Future finance charges R</b>	<b>Present value of minimum lease payments R</b>
<b>Amounts payable under finance lease</b>			
Within one year	4 227 170	628 588	3 598 582
Within two to five years	1 934 021	85 717	1 848 304
	<u>6 161 191</u>	<u>-</u>	<u>5 446 886</u>
Less: Amount due for settlement within 12 months (current portion)			3 598 582
			<u><b>1 848 304</b></u>

The leases are for a variety of motor vehicles that are utilised in the course of performing the Municipality's powers and functions. The leases are for five years and 240 000 kilometres. The interest rates vary between 9.0% and 15.5%. The termination dates vary between November 2013 and November 2015. The leases are repaid monthly and include maintenance and make provision for the payment of excess distance travelled where applicable. At the termination of the leases the vehicles revert to the lessor.

**18 SERVICE CHARGES**

Sale of water	91 044 010	92 768 097	90 888 559	90 888 559
Sewerage and sanitation charges	17 844 417	18 317 464	17 138 624	17 138 624
Revenue Forgone	(5 983 668)	(8 180 802)	(6 520 206)	(6 520 206)
<b>Total Service Charges</b>	<u><b>102 904 759</b></u>	<u><b>102 904 759</b></u>	<u><b>101 506 977</b></u>	<u><b>101 506 977</b></u>

**19 RENTAL OF FACILITIES AND EQUIPMENT**

iLembe Auditorium	-	-	12 168	12 168
Rental of facilities	-	-	61 913	61 913
<b>Total rentals</b>	<u>-</u>	<u>-</u>	<u><b>74 081</b></u>	<u><b>74 082</b></u>

**20 INTEREST EARNED - BANK BALANCES**

<b>Bank</b>	<b>4 455 424</b>	<b>4 401 310</b>	<b>5 364 480</b>	<b>5 229 071</b>
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**21 INTEREST EARNED - OUTSTANDING RECEIVABLES**

<b>Interest on debtors</b>	<b>13 119 710</b>	<b>13 119 710</b>	<b>14 940 232</b>	<b>14 940 232</b>
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	<b>GROUP 2014 R</b>	<b>IDM 2014 R</b>	<b>GROUP 2013 R</b>	<b>IDM 2013 R</b>
<b>22 GOVERNMENT GRANTS AND SUBSIDIES</b>				
Equitable share	253 386 000	253 386 000	227 576 000	227 576 000
MIG Grant	170 482 602	170 482 602	161 612 895	161 612 895
<b>Other Government Grants and Subsidies</b>	<b>146 424 005</b>	<b>141 353 632</b>	<b>205 857 460</b>	<b>199 984 139</b>
VAT REFUNDS			32 204 860	32 204 860
WATER SERVICES OPERATING GRANT	2 103 733	2 103 733	6 968 138	6 968 138
MELVILLE PACKAGE PLANT	-	-	4 385 861	4 385 861
MWIG	49 174 228	49 174 228		
MAPHUMULO WATERWORKS GRANT			1 060 752	1 060 752
REFURBISHMENT OF WASTE WATER WORKS (DWA ACIP)	-	-	2 136 930	2 136 930
MASSIFICATION GRANT			10 811 394	10 811 394
NGCEBO/LOWER THUKELA BULK WATER SCHEME	76 293 239	76 293 239	74 822 017	74 822 017
RURAL TRANSPORT SERVICE	2 308 438	2 308 438	2 050 089	2 050 089
DISASTER MANAGEMENT GRANT (COGTA)			993 812	993 812
DISASTER MANAGEMENT GRANT (DBSA)			542 771	542 771
BEACH RESTORATION GRANT			4 796 072	4 796 072
SHARED SERVICES GRANT (FINANCIAL SYSTEMS)			338 435	338 435
PROVINCIAL TOWNSHIP ESTABLISHMENT			571 873	571 873
CORRIDOR DEVELOPMENT	500 000	500 000	7 400 000	7 400 000
FMG	1 080 015	1 080 015	1 250 000	1 250 000
MSIG	890 000	890 000	1 000 000	1 000 000
LGSETA			1 068 688	1 068 688
IGR GRANT	64 737	64 737		
ILEMBE SPATIAL PLAN	493 079	493 079	1 657 730	1 657 730
ENVIRONMENTAL MANAGEMENT FRAMEWORK	248 403	248 403	641 456	641 456
OTHER INCOME - GRANTS & SUBSIDIES	7 337 566	7 337 566	25 421 749	25 421 749
MUNICIPAL GOV & ADMINISTRATION	375 068	375 068	226 917	226 917
CITIZEN SATISFACTORY SURVEY	485 125	485 125	489 100	489 100
DONATIONS & GIFTS - CAPITAL			18 087 670	18 087 670
WATER WEEK - DWA			557 824	557 824
SALARIES - IDC GRANT			1 598 000	-
NDWEDWE TUNNELS	124 650			
SIZA WATER CONCESSION	1 843 056			
GROWTH SUMMIT	251 196			
LED STRATEGY	269 953		393 443	
NORTH COAST WINE PROJECT GRANT	1 138 233	-	2 159 892	
INTEGRATED CRAFT HUB GRANT			3 841	
MORINGA TREE PLANTATION			12 514	
PROJECTS EX IDC	1 336 776		217 800	
LED	106 509		1 787 831	500 000
RIDS GRANT			200 000	
<b>Total Government Grant and Subsidies</b>	<b>570 292 607</b>	<b>565 222 234</b>	<b>595 046 355</b>	<b>589 173 034</b>

**22,1 Equitable Share**

<b>Balance unspent at beginning of year</b>	-	-	-	-
Current year receipts	253 386 000	253 386 000	227 576 000	227 576 000
Conditions met - transferred to revenue	(253 386 000)	(253 386 000)	(227 576 000)	(227 576 000)
<b>Conditions met</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**22,2 MIG Grant**

<b>Balance unspent at beginning of year</b>	53 182	53 182	-	-
Current year receipts	177 501 000	177 501 000	179 292 000	179 292 000
Conditions met - transferred to revenue	(169 871 484)	(169 871 484)	(161 612 895)	(161 612 895)
Adjustments and Transfers	(4 489 525)	(4 489 525)	(17 625 923)	(17 625 923)
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>3 193 174</b>	<b>3 193 174</b>	<b>53 182</b>	<b>53 182</b>

**22,3 VAT REFUNDS**

<b>Balance unspent at beginning of year</b>	-	-	-	-
Current year receipts	-	-	32 204 860	32 204 860
Conditions met - transferred to revenue	-	-	(32 204 860)	(32 204 860)
Adjustments and Transfers	-	-	-	-
<b>Conditions met</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**22,4 Other Grants**

<b>Balance unspent at beginning of year</b>	992 800	992 800	1 388 120	1 388 120
Current year receipts	-	-	200 727	200 727

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	GROUP 2014 R	IDM 2014 R	GROUP 2013 R	IDM 2013 R
Conditions met - transferred to revenue	-	-	(557 824)	(557 824)
Adjustments and Transfers		-	(38 223)	(38 223)
<b>Conditions met</b>	<b>992 800</b>	<b>992 800</b>	<b>992 800</b>	<b>992 800</b>

**22,5 SECTION 78 GRANT**

Balance unspent at beginning of year	200 000	200 000	200 000	200 000
Conditions still to be met - remain liabilities (see note 15)	<b>200 000</b>	<b>200 000</b>	<b>200 000</b>	<b>200 000</b>

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	GROUP 2014 R	IDM 2014 R	GROUP 2013 R	IDM 2013 R
<b>22,6 WATER SERVICE OPERATING GRANT</b>				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	11 139 000	11 139 000	7 642 000	7 642 000
Conditions met - transferred to revenue	(2 103 733)	(2 103 733)	(6 968 138)	(6 968 138)
Adjustments and Transfers	-	-	(673 862)	(673 862)
<b>Conditions met</b>	<b>9 035 267</b>	<b>9 035 267</b>	<b>-</b>	<b>-</b>
<b>22,7 MAPHUMULO WATERWORKS GRANT</b>				
Balance unspent at beginning of year	-	-	1 060 753	1 060 753
Conditions met - transferred to revenue	-	-	(1 060 753)	(1 060 753)
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>22,8 REFURBISHMENT OF WASTE WATER WORKS (DWA ACIP)</b>				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	-	-	2 436 100	2 436 100
Conditions met - transferred to revenue	-	-	(2 136 930)	(2 136 930)
Adjustments and Transfers	-	-	(299 170)	(299 170)
<b>Conditions met</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>22,9 MASSIFICATION GRANT</b>				
Balance unspent at beginning of year	-	-	9 824 989	9 824 989
Current year receipts	-	-	2 500 000	2 500 000
Conditions met - transferred to revenue	-	-	(10 811 394)	(10 811 394)
Adjustments and Transfers	-	-	(1 513 595)	(1 513 595)
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>22.10 NGCEBO/LOWER THUKELA BULK WATER SCHEME</b>				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	89 880 813	89 880 813	94 899 916	94 899 916
Conditions met - transferred to revenue	(76 293 239)	(76 293 239)	(74 822 017)	(74 822 017)
Adjustments and Transfers	(13 587 574)	(13 587 574)	(20 077 899)	(20 077 899)
<b>Conditions met</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>##### RURAL TRANSPORT SERVICE</b>				
Balance unspent at beginning of year	768 926	768 926	1 330 027	1 330 027
Current year receipts	1 807 000	1 807 000	1 776 000	1 776 000
Conditions met - transferred to revenue	(2 308 438)	(2 308 438)	(2 050 089)	(2 050 089)
Adjustments and Transfers	-	-	(287 012)	(287 012)
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>267 488</b>	<b>267 488</b>	<b>768 926</b>	<b>768 926</b>
<b>##### DISASTER MANAGEMENT GRANT (COGTA)</b>				
Balance unspent at beginning of year	-	-	1 132 946	1 132 946
Conditions met - transferred to revenue	-	-	(993 812)	(993 812)
Adjustments and Transfers	-	-	(139 134)	(139 134)
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>##### DISASTER MANAGEMENT GRANT (DBSA)</b>				
Balance unspent at beginning of year	165 476	165 476	784 235	784 235
Current year receipts	-	-	(542 771)	(542 771)
Conditions met - transferred to revenue	-	-	(75 988)	(75 988)
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>165 476</b>	<b>165 476</b>	<b>165 476</b>	<b>165 476</b>
<b>##### BEACH RESTORATION GRANT</b>				
Balance unspent at beginning of year	-	-	4 796 072	4 796 072
Conditions met - transferred to revenue	-	-	(4 796 072)	(4 796 072)
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>##### OPERATING REFURBISHMENT GRANT</b>				
Balance unspent at beginning of year	-	-	3 064	3 064
Adjustments and Transfers	-	-	(3 064)	(3 064)
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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	GROUP 2014 R	IDM 2014 R	GROUP 2013 R	IDM 2013 R
<b>##### SHARED SERVICES GRANT (FINANCIAL SYSTEMS)</b>				
Balance unspent at beginning of year	-	-	338 435	338 435
Conditions met - transferred to revenue	-	-	(338 435)	(338 435)
Conditions still to be met - remain liabilities (see note 15)	-	-	-	-

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	GROUP 2014 R	IDM 2014 R	GROUP 2013 R	IDM 2013 R
<b>##### MWIG</b>				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	49 692 000	49 692 000	-	-
Conditions met - transferred to revenue	(49 174 228)	(49 174 228)	-	-
Conditions still to be met - remain liabilities (see note 15)	<b>517 772</b>	<b>517 772</b>	-	-
<b>##### PROVINCIAL TOWNSHIP ESTABLISHMENT</b>				
Balance unspent at beginning of year	1 881 915	1 881 915	1 333 850	1 333 850
Current year receipts	-	-	1 200 000	1 200 000
Conditions met - transferred to revenue	(493 079)	(493 079)	(571 873)	(571 873)
Adjustments and Transfers	(69 031)	(69 031)	(80 062)	(80 062)
Conditions still to be met - remain liabilities (see note 15)	<b>1 319 805</b>	<b>1 319 805</b>	<b>1 881 915</b>	<b>1 881 915</b>
<b>##### Municipal Governance &amp; Admin</b>				
Balance unspent at beginning of year	573 084	573 084	-	-
Current year receipts	-	-	800 000	800 000
Conditions met - transferred to revenue	(375 068)	(375 068)	(226 917)	(226 917)
Conditions still to be met - remain liabilities (see note 15)	<b>198 015</b>	<b>198 015</b>	<b>573 084</b>	<b>573 084</b>
<b>##### CORRIDOR FUNDING</b>				
Balance unspent at beginning of year	5 818 580	-	-	-
Current year receipts	-	-	7 400 000	-
Conditions met - transferred to revenue	-	-	(1 387 211)	-
Adjustments and Transfers	(3 400 000)	-	(194 209)	-
Conditions still to be met - remain liabilities (see note 15)	<b>2 418 580</b>	-	<b>5 818 580</b>	-
<b>##### CORRIDOR - NORTH URBAN DEVELOP PLAN PHASE 2</b>				
Balance unspent at beginning of year	535 864	535 864	2 425 677	2 425 677
Current year receipts	-	-	7 400 000	7 400 000
Conditions met - transferred to revenue	-	-	(9 057 730)	(9 057 730)
Adjustments and Transfers	-	-	(232 083)	(232 083)
Conditions still to be met - remain liabilities (see note 15)	<b>535 864</b>	<b>535 864</b>	<b>535 864</b>	<b>535 864</b>
<b>##### RURAL HOUSING GRANT</b>				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	4 000 000	4 000 000	-	-
Conditions met - transferred to revenue	-	-	-	-
Adjustments and Transfers	-	-	-	-
Conditions still to be met - remain liabilities (see note 15)	<b>4 000 000</b>	<b>4 000 000</b>	-	-
<b>##### FRESH PRODUCE MARKET IN STANGER</b>				
Balance unspent at beginning of year	278 049	-	278 049	-
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
Adjustments and Transfers	-	-	-	-
Conditions still to be met - remain liabilities (see note 15)	<b>278 049</b>	-	<b>278 049</b>	-
<b>##### DONATIONS &amp; GIFTS</b>				
Balance unspent at beginning of year	-	-	-	-
Conditions met - transferred to revenue	7 337 566	7 337 566	18 087 670	18 087 670
Adjustments and Transfers	(7 337 566)	(7 337 566)	(18 087 670)	(18 087 670)
Conditions still to be met - remain liabilities (see note 15)	-	-	-	-
<b>##### FMG</b>				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	1 250 000	1 250 000	1 250 000	1 250 000
Conditions met - transferred to revenue	(1 080 015)	(1 080 015)	(1 250 000)	(1 250 000)
Adjustments and Transfers	(28 653)	(28 653)	-	-
Conditions still to be met - remain liabilities (see note 15)	<b>141 332</b>	<b>141 332</b>	-	-
<b>##### MSIG</b>				
Balance unspent at beginning of year	-	-	-	-

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	<b>GROUP 2014 R</b>	<b>IDM 2014 R</b>	<b>GROUP 2013 R</b>	<b>IDM 2013 R</b>
Current year receipts	890 000	890 000	1 000 000	1 000 000
Conditions met - transferred to revenue	(890 000)	(890 000)	(1 000 000)	(1 000 000)
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



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	GROUP 2014 R	IDM 2014 R	GROUP 2013 R	IDM 2013 R
<b>##### EPWP</b>				
Balance unspent at beginning of year	1 349 000	1 349 000	349 000	349 000
Current year receipts	1 000 000	1 000 000	1 000 000	1 000 000
Conditions still to be met - remain liabilities (see note 15)	<b>2 349 000</b>	<b>2 349 000</b>	<b>1 349 000</b>	<b>1 349 000</b>
<b>##### LGSETA</b>				
Balance unspent at beginning of year	-	-	454 721	454 721
Current year receipts	-	-	903 320	903 320
Conditions met - transferred to revenue	-	-	(1 068 688)	(1 068 688)
Adjustments and Transfers	-	-	(39 310)	(39 310)
Conditions still to be met - remain liabilities (see note 15)	<b>-</b>	<b>-</b>	<b>250 042</b>	<b>250 042</b>
<b>##### IGR GRANT</b>				
Balance unspent at beginning of year	73 800	73 800	73 800	73 800
Conditions met - transferred to revenue	(64 737)	(64 737)	-	-
Adjustments and Transfers	(9 063)	(9 063)	-	-
Conditions still to be met - remain liabilities (see note 15)	<b>-</b>	<b>-</b>	<b>73 800</b>	<b>73 800</b>
<b>##### ENVIRONMENTAL MANAGEMENT FRAMEWORK</b>				
Balance unspent at beginning of year	307 639	307 639	1 038 899	1 038 899
Conditions met - transferred to revenue	(248 403)	(248 403)	(641 456)	(641 456)
Adjustments and Transfers	(34 777)	(34 777)	(89 803)	(89 803)
Conditions still to be met - remain liabilities (see note 15)	<b>24 459</b>	<b>24 459</b>	<b>307 639</b>	<b>307 639</b>
<b>##### Grant Disaster Management</b>				
Balance unspent at beginning of year	55 318	-	55 318	-
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
Adjustments and Transfers	-	-	-	-
Conditions still to be met - remain liabilities (see note 15)	<b>55 318</b>	<b>-</b>	<b>55 318</b>	<b>-</b>
<b>##### NDWEDWE TOWN DEVELOPMENT</b>				
Balance unspent at beginning of year	507 707	507 707	507 707	507 707
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
Conditions still to be met - remain liabilities (see note 15)	<b>507 707</b>	<b>507 707</b>	<b>507 707</b>	<b>507 707</b>
<b>##### Grant Amacambini Dev</b>				
Balance unspent at beginning of year	757 666	-	757 666	-
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
Adjustments and Transfers	-	-	-	-
Conditions met	<b>757 666</b>	<b>-</b>	<b>757 666</b>	<b>-</b>
<b>##### Customer Satisfaction Survey</b>				
Balance unspent at beginning of year	580 000	580 000	-	-
Current year receipts	-	-	1 130 000	1 130 000
Conditions met - transferred to revenue	(485 125)	(485 125)	(489 100)	(489 100)
Adjustments and Transfers	(67 917)	(67 917)	(60 900)	(60 900)
Conditions still to be met - remain liabilities (see note 15)	<b>26 958</b>	<b>26 958</b>	<b>580 000</b>	<b>580 000</b>
<b>##### Melville Package Plant</b>				
Balance unspent at beginning of year	611 118	611 118	-	-
Current year receipts	-	-	5 611 000	5 611 000
Conditions met - transferred to revenue	(611 118)	(611 118)	(4 385 861)	(4 385 861)
Adjustments and Transfers	-	-	(614 021)	(614 021)
Conditions still to be met - remain liabilities (see note 15)	<b>-</b>	<b>-</b>	<b>611 118</b>	<b>611 118</b>
<b>##### Grant Salaries Ex IDC</b>				

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<b>Balance unspent at beginning of year</b>	-	-	-	-
Current year receipts	-	-	1 598 000	-
Conditions met - transferred to revenue	-	-	(1 598 000)	-
Adjustments and Transfers	-	-	-	-
<b>Conditions still to be met - remain liabilities (see note 14)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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	GROUP 2014 R	IDM 2014 R	GROUP 2013 R	IDM 2013 R
<b>##### Grant local Economic Development Strategy Ex COGTA</b>				
Balance unspent at beginning of year	105 135		-	
Current year receipts	500 000	500 000	500 000	
Conditions met - transferred to revenue	(269 953)	(500 000)	(393 443)	
Adjustments and Transfers	-		(1 422)	
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>335 182</b>	<b>-</b>	<b>105 135</b>	<b>-</b>
<b>##### 14.17 Growth Summit</b>				
Balance unspent at beginning of year				
Current year receipts	400 000			
Conditions met - transferred to revenue	(251 196)			
Adjustments and Transfers				
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>148 804</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>##### Grant Ilembe District Municipality - Tourism</b>				
Balance unspent at beginning of year	204 355		-	
Current year receipts	1 000 000		954 000	
Conditions met - transferred to revenue	(978 324)		(749 645)	
Adjustments and Transfers			-	
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>226 031</b>	<b>-</b>	<b>204 355</b>	<b>-</b>
<b>##### Grant North Coast Wine Project Ex DCGTA</b>				
Balance unspent at beginning of year	531 059		2 772 722	
Current year receipts			-	
Conditions met - transferred to revenue	(1 138 233)		(2 159 892)	
Adjustments and Transfers	607 174		(81 771)	
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>-</b>	<b>-</b>	<b>531 059</b>	<b>-</b>
<b>##### Grant Integrated Craft Hub</b>				
Balance unspent at beginning of year	227 315		231 253	
Current year receipts	-		-	
Conditions met - transferred to revenue	-		(3 841)	
Adjustments and Transfers	-		(97)	
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>227 315</b>	<b>-</b>	<b>227 315</b>	<b>-</b>
<b>##### Grant Nonoti Beach Resort Business Plan</b>				
Balance unspent at beginning of year	49 123		49 123	
Current year receipts	-		-	
Conditions met - transferred to revenue	-		-	
Adjustments and Transfers	-		-	
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>49 123</b>	<b>-</b>	<b>49 123</b>	<b>-</b>
<b>##### Grant Maphumulo Small Town Regeneration</b>				
Balance unspent at beginning of year	85 965		85 965	
Current year receipts	-		-	
Conditions met - transferred to revenue	-		-	
Adjustments and Transfers	-		-	
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>85 965</b>	<b>-</b>	<b>85 965</b>	<b>-</b>
<b>##### Grant Moringa Tree Plantation</b>				
Balance unspent at beginning of year	-		12 515	
Current year receipts	-		-	
Conditions met - transferred to revenue	-		(12 515)	
Adjustments and Transfers	2 400 000		-	
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>2 400 000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>##### Grant Siza Water Concession</b>				
Balance unspent at beginning of year	2 086 378	-	947 858	-
Current year receipts	-	-	1 138 520	-
Conditions met - transferred to revenue	(1 843 056)	-	-	-
Adjustments and Transfers	-	-	-	-

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Conditions still to be met - remain liabilities (see note 15)	243 322	-	2 086 378	-

**##### RIDS Grant Marketing**

Balance unspent at beginning of year			200 000	
Current year receipts			-	
Conditions met - transferred to revenue			(200 000)	
Adjustments and Transfers			-	
Conditions still to be met - remain liabilities (see note 15)	-	-	-	-

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	GROUP 2014 R	IDM 2014 R	GROUP 2013 R	IDM 2013 R
<b>##### Projects Ex IDC</b>				
Balance unspent at beginning of year	1 622 610		634 902	
Current year receipts			1 236 000	
Conditions met - transferred to revenue	(1 336 774)		(217 800)	
Adjustments and Transfers			(30 492)	
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>285 836</b>	<b>-</b>	<b>1 622 610</b>	<b>-</b>

**##### Ndwedwe Tunnel**

Balance unspent at beginning of year	-			
Current year receipts	400 000			
Conditions met - transferred to revenue	(124 650)			
Adjustments and Transfers				
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>275 350</b>	<b>-</b>	<b>-</b>	<b>-</b>

**23 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS**

**23,1 Other income**

Tender Documents	456 039	456 039	182 984	182 984
Telephone recovered	173 390	173 390		
Clearance certificates	572 931	572 931	358 265	358 265
Private developers	1 001 244	1 001 244	499 625	499 625
Siza Water Concession	1 436 000	1 436 000	1 058 998	1 058 998
Insurance proceeds	94 559	94 559	29 490	29 490
Interest on bank accounts	-	-	703 934	703 934
Department of Education	2 566 589		3 569 673	
Developers Capital Contribution	22 108 970	22 108 970		
Shared Service	1 644 332	1 644 332	2 384 504	2 384 504
New connections	177 002	177 002		
Vat Refunds	4 837 824	4 837 824	-	-
Other income	1 946 930	981 660	950 601	628 075
	<b>37 015 810</b>	<b>33 483 951</b>	<b>9 738 073</b>	<b>5 845 875</b>

**24 EMPLOYEE RELATED COSTS**

Employee related costs - Salaries and Wages	100 004 450	94 568 559	77 037 067	72 816 120
Employee related costs - Contributions for UIF, pensions and medical	17 102 850	17 075 150	13 880 485	13 853 921
Travel, motor car, accommodation, subsistence and other allowances	3 325 838	3 112 692	3 178 138	3 141 383
Housing benefits and allowances	612 857	612 857	516 004	516 004
Overtime payments	4 437 846	4 437 846	3 522 057	3 522 057
Performance and other bonuses	6 147 753	6 147 753	4 488 384	4 488 384
Long-service awards	2 775 714	2 775 714	1 124 080	1 124 080
Other employee related costs	5 725 106	5 605 025	4 515 150	4 515 150
<b>Employee Related Costs</b>	<b>140 132 414</b>	<b>134 335 596</b>	<b>108 261 364</b>	<b>103 977 098</b>

There were no advances to employees.

**Remuneration of the Municipal Manager**

Annual Remuneration	877 621	877 621	-	-
Contributions to UIF, Medical and Pension Funds and other allowances	92 897	92 897	-	-
Other	-	-	-	-
<b>Total</b>	<b>970 518</b>	<b>970 518</b>	<b>-</b>	<b>-</b>

The position of the Municipal Manager is currently vacant. The former MM was employed for 10 months.

**Remuneration: CEO Enterprise Ilembe**

Annual Remuneration	1 054 783		904 684	
Travel, motor car, accommodation, subsistence	-			
Other	-			
<b>Total</b>	<b>1 054 783</b>	<b>-</b>	<b>904 684</b>	<b>-</b>

**Remuneration of the Chief Financial Officer**

Annual Remuneration	845 978	845 978	773 316	773 316
Travel, motor car, accommodation, subsistence	185 702	185 702	169 033	169 033
Contributions to UIF, Medical and Pension Funds and other allowances	1 784	1 784	8 022	8 022
<b>Total</b>	<b>1 033 464</b>	<b>1 033 464</b>	<b>950 371</b>	<b>950 371</b>

**Remuneration: CFO Enterprise Ilembe**

Annual Remuneration	450 000		54 396	
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	<b>GROUP 2014 R</b>	<b>IDM 2014 R</b>	<b>GROUP 2013 R</b>	<b>IDM 2013 R</b>
Travel, motor car, accommodation, subsistence	-			
Other	-			
<b>Total</b>	<b>450 000</b>	<b>-</b>	<b>54 396</b>	<b>-</b>

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		<b>GROUP 2014 R</b>	<b>IDM 2014 R</b>	<b>GROUP 2013 R</b>	<b>IDM 2013 R</b>
<b>Remuneration of Individual Executive</b>	<b>Technical Services</b>	<b>Corporate Services</b>	<b>Corporate Services</b>	<b>Corporate Governance</b>	<b>Corporate Governance</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>2014</b>					
Annual Remuneration	-		621 242		853 125
Travel, motor car, accommodation, subs	-		205 675		121 875
Contributions to UIF, Medical and Pensi	-		62 207		1 785
<b>Total</b>	<b>-</b>	<b>-</b>	<b>889 124</b>	<b>-</b>	<b>976 785</b>

The position for Director: Technical Services is currently vacant.

	<b>Technical Services</b>	<b>Corporate Services</b>	<b>Corporate Services</b>	<b>Corporate Governance</b>	<b>Corporate Governance</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>2013</b>					
Annual Remuneration	-		81 466		38 670
Travel, motor car, accommodation, subs	-		32 500		9 979
Contributions to UIF, Medical and Pensi	-		250		125
<b>Total</b>	<b>-</b>	<b>-</b>	<b>114 216</b>	<b>-</b>	<b>48 774</b>

The positions for Director Corporate Services, Director Technical Services and Director Corporate Governance are currently vacant.

## 25 REMUNERATION OF COUNCILLORS

Mayor	638 271	638 271	636 630	636 630
Deputy Mayor	564 766	564 766	46 785	46 785
Speaker	307 213	307 213	321 047	321 047
Executive Committee Members	1 333 349	1 333 349	1 701 759	1 701 759
Councillors' Allowances	3 314 287	3 314 287	2 366 877	2 366 877
Councillors' pension and medical aid contributions	471 648	471 648	657 674	657 674
<b>Total Councillors' Remuneration</b>	<b>6 629 534</b>	<b>6 629 534</b>	<b>5 730 772</b>	<b>5 730 772</b>

### In-kind Benefits

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor, Deputy Mayor and Speaker has use of the Council owned vehicle for official duties. The Mayor has 2 full-time bodyguards.

### REMUNERATION OF BOARD MEMBERS:

Attendance fees at meetings:

M C Manci	-		-	
B N Linda	110 695		106 992	
I Deetlefs	97 874		97 992	
P M Mabaso	85 258		85 992	
R Meer	85 258		79 992	
S Z Gumede	-		-	
J Wiltshire	85 061		85 999	
B Pityi	-		20 833	
	<b>464 146</b>	<b>-</b>	<b>477 800</b>	<b>-</b>

## 26 DEPRECIATION, IMPAIRMENT AND AMORTISATION EXPENSE

Depreciation	40 318 670	38 958 584	25 270 538	24 094 313
Impairment of Assets	299 742 658	299 742 658	138 583	138 583
Intangible assets	1 355 169	1 349 661	805 019	799 887
<b>Total Depreciation, Impairment and Amortisation</b>	<b>341 416 496</b>	<b>340 050 903</b>	<b>26 214 140</b>	<b>25 032 783</b>

The impairment recognized mainly relates to impairment of infrastructure assets due to significant changes in the remaining useful lives of these assets.

## 27 FINANCE COSTS

Borrowings	9 034 822	9 034 822	9 042 577	9 042 577
Leases	232 123	232 123	714 305	714 305
<b>Total Finance Costs</b>	<b>9 266 946</b>	<b>9 266 946</b>	<b>9 756 882</b>	<b>9 756 882</b>

## 28 BULK PURCHASES

Water	72 296 236	72 296 236	59 636 667	59 636 667
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<b>Total Bulk Purchases</b>	<b>72 296 236</b>	<b>72 296 236</b>	<b>59 636 667</b>	<b>59 636 667</b>



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<b>29 CONTRACTED SERVICES</b>				
<b>Contracted services for:</b>				
Management Contact WSSA	11 859 226	11 859 226	13 335 969	13 335 969
Lease of Machinery & Equipment	337 035	337 035	269 022	269 022
Reconnections/Disconnections	2 134 731	2 134 731	4 563 579	4 563 579
Plant Hire	11 480 723	11 480 723	5 811 857	5 811 857
Security	24 121 634	24 121 634	24 501 723	24 501 723
Salga games	4 598 163	4 598 163	-	-
Meter reading contractors	199 735	199 735	142 408	142 408
Fax & Copier rentals	2 512 344	2 512 344	2 625 098	2 625 098
Lease of Vehicles	1 436 131	1 436 131	-	-
Rental of Buildings	276 886	276 886	-	-
Vehicle Hire	5 411 232	5 411 232	-	-
Insurance	1 199 731	1 169 827	810 839	810 839
	<b>65 567 571</b>	<b>65 537 666</b>	<b>52 060 494</b>	<b>52 060 494</b>

**30 GRANT EXPENSES**

Grant Expenditure	42 525 874	35 317 924	51 325 908	45 605 916
	<b>43 025 874</b>	<b>35 317 924</b>	<b>51 325 908</b>	<b>45 605 916</b>
FMG Expenditure	1 080 015	1 080 015	1 326 954	1 326 954
Arts & Craft	-	-	3 841	-
LED Projects	2 106 509	-	1 781 831	-
RIDS	-	-	204 866	-
Tourism	-	-	749 645	-
Container Project	-	-	217 800	-
Winery Grant	562 963	-	254 804	-
Moringa Grant	-	-	25 200	-
NDWEDWE TUNNELS	124 650	-	-	-
TOURISM	978 324	-	-	-
GROWTH SUMMIT	251 196	-	-	-
PROVINCIAL TOWNSHIP ESTABLISHMENT	493 079	493 079	414 815	414 815
LG SETA Grant Expenditure	0	-	1 068 688	1 068 688
Corridor Grant Expenditure	500 000	500 000	7 400 000	7 400 000
MUNICIPAL GOV & ADMINISTRATION	375 068	375 068	-	-
SPATIAL DEVELOPMENT PLAN	0	-	1 814 788	1 814 788
IGR Grant Expenditure	68 204	68 204	-	-
EMF	248 403	248 403	641 456	641 456
Agri Process Hub Incubator	-	-	-	-
SIZA WATER CONCESSION	1 843 056	-	-	-
Biodiesel Production Facility	0	-	3 136	-
RENEWABLE ENERGY	230 263	-	-	-
Moringa Tree Plantations	0	-	-	-
Maphumulo HH Sanitation	10 562 632	10 562 632	6 952 287	6 952 287
MIG PMU	0	-	-	-
Ndwedwe Ward 16 Sanitation	0	-	-	-
Mandeni Ward 16 HH Sanitation	8 514 232	8 514 232	8 424 989	8 424 989
Ndwedwe HH Sanitation	12 991 167	12 991 167	12 765 867	12 765 867
Vineyards	1 341 035	-	1 607 521	-
Agri Processing	-	-	477 905	-
LED Strategy	269 953	-	393 443	-
Restoration to Beaches	-	-	4 796 072	4 796 072
Citizen Satisfaction Survey	485 125	485 125	-	-

**31 GENERAL EXPENSES**

Included in general expenses are the following:-

Advertising	1 767 772	1 574 394	1 382 505	1 288 863
Audit fees	2 549 615	2 272 672	2 775 512	2 202 546
Bank charges	192 158	163 492	271 638	240 284
Cleaning	1 081 490	1 081 490	877 119	877 119
Conferences and delegations	253 897	253 897	189 703	189 703
SCHOOLS NUTRITION PROGRAM	4 578 132	-	-	-
Consumables	2 040 203	1 264 687	7 079	7 079
Entertainment	974 445	959 677	960 081	896 795
Fuel and oil	6 469 711	6 469 711	7 462 967	7 462 967
Legal expenses	471 031	471 031	602 728	602 728
LG Seta Expenditure	669 704	669 704	-	-
Licence fees - vehicles	14 051	14 051	64 263	64 263
Licence fees - computers	280 906	280 906	793 190	793 190
Membership fees	1 055 550	1 055 550	846 307	846 307
Postage	46 1 442 006	1 442 006	1 299 868	1 299 868

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	<b>GROUP</b>	<b>IDM</b>	<b>GROUP</b>	<b>IDM</b>
	<b>2014</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Printing and stationery	946 969	946 969	1 508 103	1 508 103
Professional fees	2 645 371	1 742 777	2 371 729	1 426 266
Rental of buildings	-	-	263 749	241 143
Rental of computer equipment	205 041	205 041	-	-
Special Projects	1 069 618	1 069 618	-	-
Subscription & publication	120 126	6 502	66 511	20 663
Telephone cost	3 052 335	3 052 335	2 713 216	2 713 216
Training	2 319 056	2 313 511	1 233 800	1 129 427

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	<b>GROUP 2014 R</b>	<b>IDM 2014 R</b>	<b>GROUP 2013 R</b>	<b>IDM 2013 R</b>
Travel and subsistence	2 070 003	1 791 448	958 284	857 242
Uniforms & overalls	1 029 735	1 029 735	71 029	71 029
National Schools Nutrition Programme	-	-	4 546 607	-
Water and Sanitation	5 727 273	5 727 273	2 278 827	2 278 827
Electricity & Water	15 557 436	15 557 436	14 846 486	14 846 486
LED Projects	-	15 800 000	-	6 834 000
Salga games	-	-	4 487 494	4 487 494
Shared Services	3 006 152	3 006 152	2 301 200	2 301 200
Public Participation	2 068 231	2 068 231	1 703 579	1 703 579
Vehicle Hire	-	-	2 369 803	2 369 803
Siza Water	1 575 735	1 575 735	1 238 396	1 238 396
Other	4 260 041	4 239 274	7 642 098	6 700 239
	<b>69 493 793</b>	<b>78 105 305</b>	<b>68 133 869</b>	<b>67 498 824</b>

**32 CORRECTION OF PRIOR YEAR ERRORS AND CHANGE IN ACCOUNTING POLICY**

Property, plant and equipment	1 434 393	1 434 393	(13 017 167)	(13 003 875)
<i>An error was discovered in the calculation of the 2013 accumulated depreciation which resulted in the overstatement of the net book value of property, plant &amp; equipment. It was further discovered that assets under construction which were completed in the prior years were not transferred to completed assets as a result depreciation and accumulated depreciation was understated. Incorrect recognition of assets that did not exist, in some cases assets were duplicated.</i>				
Forex Loss	-	-	(6 004)	(6 004)
Unspent Grants Liabilities	(250 042)	(250 042)		
<i>LG Seta funding has previously been disclosed as grants and clarity was received from Treasury to say it is not a grant but</i>				
Forex Liability	(4 784)	(4 784)	(1 594 691)	(1 594 691)
<i>Credit Note not accounted for at 30 June 2013 resulting in Forex Liability being overstated</i>				
Finance Lease Liability	(52 324)	(52 324)		
<i>Adjustment in respect of understatement of interest accounted for in the prior year. The understatement was as a result of the amortisation schedule not being updated in line with interest changes.</i>				
Stock Adjustments	(1 023 893)	(1 023 893)		
<i>Balancing of the stores module with the control account in order to correct stock balances.</i>				
Bank and Cash	(6 102)	(6 102)		
<i>Study fees reversed from training expense as a result of employees not completing training course</i>				
Intangible Assets	-	-	1 333 860	1 333 860
Consumer Debtors	(135 157)	(135 157)	9 602 816	9 602 816
<i>Adjustments to consumer transactions relating to prior years</i>				
Trade Creditors	(2 045 688)	(2 045 688)	1 715 600	1 715 600
<i>Reversal of accruals raised in the 2012/13 financial year and were not effected in the 2013/14 financial year</i>				
Correction of cash book balance	-	-	(158 690)	(158 690)
Staff Debtors	(61 869)	(61 869)		
<i>Correction of transactions recorded as training expense during 2012/13 financial year. Expenditure was reversed as a result of employees failing the training courses for which they were subsidized. Records that they had failed these training courses were only received during 2013/14 financial year</i>				
Other	(9 453)	(9 453)	(3 058 969)	(2 502 536)
	<b>(2 154 919)</b>	<b>(2 154 919)</b>	<b>(5 183 245)</b>	<b>(4 613 520)</b>

**33 CASH GENERATED BY OPERATIONS**

Surplus/(deficit) for the year	(72 537 576)	(74 210 152)	292 331 787	294 979 106
Adjustment for:-				
Depreciation and amortisation	341 416 496	340 050 903	26 214 140	25 032 783
Forex Loss	81 899	81 899	267 627	262 843
Loss on disposal of PPE	98 533	98 533	299 739	299 739
Contribution to provisions - non-current	18 547 232	18 547 232	18 807 264	18 807 264
Contribution to provisions - current	2 775 714	2 775 714	1 124 080	1 124 080
Finance costs	48 926 946	9 266 946	9 756 882	9 756 882

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	<b>GROUP</b>	<b>IDM</b>	<b>GROUP</b>	<b>IDM</b>
	<b>2014</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Prior Year Adjustments	(2 119 470)	(2 154 919)	8 686 335	8 610 149
Investment Income	(4 455 424)	(4 401 310)	(5 364 480)	(5 229 071)
Bad debts written off	(21 828 720)	(21 828 720)	(71 841 200)	(71 841 200)
<b>Operating surplus before working capital changes:</b>	<b>271 245 629</b>	<b>267 959 068</b>	<b>280 282 174</b>	<b>281 802 576</b>

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	<b>GROUP 2014 R</b>	<b>IDM 2014 R</b>	<b>GROUP 2013 R</b>	<b>IDM 2013 R</b>
Increase in inventories	(2 006 506)	(2 016 256)	(44 102)	(34 352)
Increase/(decrease) in trade receivables	(25 616 087)	(25 784 986)	20 192 007	23 422 676
(Increase)/decrease in other receivables	26 595 185	26 595 185	(46 041 693)	(46 041 693)
Increase/(decrease) in conditional grants and receipts	10 861 366	14 624 564	(13 005 516)	(18 991 741)
Increase in trade payables	40 623 618	40 759 089	68 951 252	65 039 427
Other assets	11 763 648	12 350 673	31 044	31 044
Other liability			(4 143 464)	(3 102 893)
<b>Cash generated by/(utilised in) operations</b>	<b>333 466 854</b>	<b>334 487 336</b>	<b>306 221 701</b>	<b>302 125 045</b>

**34 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR**

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash	47 056 818	44 838 379	24 894 533	21 995 406
<b>Net cash and cash equivalents (net of bank overdrafts)</b>	<b>47 056 818</b>	<b>44 838 379</b>	<b>24 894 533</b>	<b>21 995 406</b>

**35 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

**35,1 Unauthorised expenditure**

Reconciliation of unauthorised expenditure

Opening balance	72 771	-	953 849	-
Unauthorised expenditure current year	9 317 267	9 251 672	72 771	-
Approved by Council/Board or condoned	(9 324 443)	(9 251 672)	(953 849)	-
Unauthorised expenditure awaiting authorisation	<b>65 595</b>	<b>-</b>	<b>72 771</b>	<b>-</b>

**Incident**

Unauthorized expenditure was as a result of expenditure on internally funded capital projects that exceeded the approved budget

**Action taken**

Council has certified the unauthorised expenditure as irrecoverable and written it off in terms of section 32(2) of the MFMA.

**35,2 Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure

Opening balance -	68 712	68 712		
Fruitless and wasteful expenditure current year	281 635	259 160	68 875	68 875
Recovered		-	(163)	(163)
To be recovered – (see note 4)		-	(68 712)	(68 712)
Certified as irrecoverable and written off	(327 872)	(327 872)		
Fruitless and wasteful expenditure awaiting condonement	<b>22 475</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Incident**

The fruitless and wasteful expenditure relates to penalties and interest in respect of the late payment of workmens compensation. The workmens compensation changed its method of filing returns from manual to electronic, due to number of changes experienced in submitting the written electronically, the due date passed and penalties and interest were levied accordingly by the fund.

**Action taken**

Council has certified the unauthorised expenditure as irrecoverable and written it off in terms of section 32(2) of the MFMA. Processes are put in place to ensure no-recurrence.

**35,3 Irregular expenditure**

Reconciliation of irregular expenditure

Opening balance	3 081 319	3 081 319	34 143 341	30 881 207
Irregular expenditure current year	9 129 167	9 129 167	16 330 981	15 715 862
Certified by council as irrecoverable and written off	(12 210 486)	(12 210 486)	(47 393 003)	(43 515 750)
Irregular expenditure awaiting condonement	<b>-</b>	<b>-</b>	<b>3 081 319</b>	<b>3 081 319</b>

**Incident**

The irregular expenditure is a result of certain instances of non-compliance with the SCM policy and processes.

**Action taken**

Council has certified the unauthorised expenditure as irrecoverable and written it off in terms of section 32(2) of the MFMA. Disciplinary processes to be instituted against responsible officials where necessary.

**35,4 Deviations**

Deviations were approved in terms of regulation 36 of the Supply Chain Management Policy:

<b>Total value</b>	<b>20 586 489</b>	<b>19 926 776</b>	<b>9 664 982</b>	<b>8 555 492</b>
	<b>20 586 489</b>	<b>19 926 776</b>	<b>9 664 982</b>	<b>8 555 492</b>

**36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

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	<b>GROUP 2014 R</b>	<b>IDM 2014 R</b>	<b>GROUP 2013 R</b>	<b>IDM 2013 R</b>
<b>36,1 Contributions to organised local government</b>				
Opening balance				
Council subscriptions	1 030 725	1 030 725	833 008	833 008
Amount paid - current	(1 030 725)	(1 030 725)	(833 008)	(833 008)
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
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	<b>GROUP 2014 R</b>	<b>IDM 2014 R</b>	<b>GROUP 2013 R</b>	<b>IDM 2013 R</b>
<b>36,2 Audit fees</b>				
Opening balance		-		
Current year audit fee	2 549 615	2 272 672	2 775 512	2 202 546
Amount paid - current year	(2 549 615)	(2 272 672)	(2 775 512)	(2 202 546)
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**36,3 VAT**

VAT input receivables and VAT output payables are shown in note 13. All VAT returns have been submitted by the due date throughout the year.

**36,4 PAYE and UIF**

Opening balance	1 268 943	1 268 943	1 113 644	1 113 644
Current year payroll deductions	18 458 575	16 791 372	15 957 780	14 541 716
Amount paid - current year	(16 870 411)	(15 203 208)	(14 688 837)	(13 272 773)
Amount paid - previous years	(1 268 943)	(1 268 943)	(1 113 644)	(1 113 644)
<b>Balance unpaid (included in payables)</b>	<b>1 588 164</b>	<b>1 588 164</b>	<b>1 268 943</b>	<b>1 268 943</b>

The balance represents PAYE and UIF deducted in June 2014 payroll. These amounts will be paid in July 2014

**36,5 Pension and Medical Aid Deductions**

Opening balance	1 833 138	1 833 138	1 447 132	1 447 132
Current year payroll deductions and Council Contributions	22 411 093	22 411 093	20 370 074	20 370 074
Amount paid - current year	(21 087 741)	(21 087 741)	(18 536 935)	(18 536 935)
Amount paid - previous years	(1 878 182)	(1 878 182)	(1 447 132)	(1 447 132)
<b>Balance unpaid (included in payables)</b>	<b>1 278 308</b>	<b>1 278 308</b>	<b>1 833 138</b>	<b>1 833 138</b>

The balance represents pension and medical aid contributions deducted from employees in the June 2014 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid in July 2014 except for medical aid and RA which were paid within the month of deduction in June 2014.

**36,6 Councillor's arrear consumer accounts**

	<b>Total</b>	<b>Outstanding less than 90 days</b>	<b>Outstanding more than 90 days</b>
No councillors was in arrears as at 30 June 2014			
	<b>R</b>	<b>R</b>	<b>R</b>
<b>as at 30 June 2014</b>			
<b>Total Councillor Arrear Consumer Ac</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>as at 30 June 2013</b>			
Councillor EL Dube	1 372	463	909
<b>Total Councillor Arrear Consumer Ac</b>	<b>1 372</b>	<b>463</b>	<b>909</b>

**36,7 Material losses**

**36.7.1 Asset impairment losses** (299 742 658) (299 742 658) (138 583) (138 583)

Council has incurred material infrastructure asset impairment losses in the current year due to significant deterioration in the remaining useful lives and recoverable amounts of these assets. This has resulted in the municipality realising an overall deficit in the current year.

**36.7.2 Debt impairment losses** (21 828 720) (21 828 720) (71 841 200) (71 841 200)

Although the revenue collection has slightly improved compared to the prior years, council has incurred material debt impairment losses written off against the provision for bad debts. This is mainly as a result of restricted inactive accounts that are accumulating interest with no corresponding payments, pensioner accounts and deceased consumer accounts that are accumulating interest. This write-off has resulted in a decrease in consumer debtors and provision for bad debts.

<b>36,8 Distribution Losses</b>	<b>Percentage distribution</b>				
<b>Units lost (kilolitres)</b>					
Illegal connections and other	29%	3 192 288	3 192 288	3 803 647	3 803 647
Main leaks	50%	5 600 745	5 600 745	5 685 651	5 685 651
Reservoir overflows	0%	40 005	40 005	40 612	40 612
Service connection leaks	21%	2 360 314	2 360 314	2 396 096	2 396 096
<b>Units lost (kilolitres)</b>	<b>100%</b>	<b>11 193 352</b>	<b>11 193 352</b>	<b>11 926 006</b>	<b>11 926 006</b>
Units lost (sales price per kilolitre - rands)		75 314 609	75 314 609	95 306 489	95 306 489
Units lost (purchase price per kilolitre - rands)		34 882 914	34 882 914	31 398 879	31 398 879
Units lost (percentage)		48%	48%	52%	52%

The distribution losses are mainly due to illegal connections, main leaks (ageing infrastructure), reservoir overflows and service connection leaks. A five year strategic master plan for the reduction of non revenue water has been adopted by the municipality to address this problem.

**36,9 Material Losses sewer revenue losses** 4 592 434 4 592 434 3 856 212 3 856 212

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<b>GROUP</b>	<b>IDM</b>	<b>GROUP</b>	<b>IDM</b>
<b>2014</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>

It was noted that there were inconsistencies between the sewer revenue charged to individual consumers and charges per the approved tariff policy. The reason for the differences is that old consumers were charged based on the 2007/2008 valuation roll instead of the 2011 valuation rolls from the Local Municipalities. This has resulted in a total loss of revenue of **R12.2million**

It has proved very expensive to use the valuation roll as basis of charging sewer hence council resolved to change the basis from valuation roll to water consumption basis in the 2014/2015 budget year. Included in the amount written off is an amount of R1.1 million in respect of 2012/2013 sewer increase of 8% that was not billed to the individual consumers. This has resulted in a decrease in debtors and provision for bad debts.



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	GROUP 2014 R	IDM 2014 R	GROUP 2013 R	IDM 2013 R
<b>36.10 Misappropriation of Funds</b>	-	-	617 089	617 089

**Incident**

The material loss is as a result of missappropriation of funds by certain Revenue Management Staff.

**Action taken**

Disciplinary action has been taken against them and the monies will be recovered from them.

**37 CAPITAL COMMITMENTS**

**37,1 Commitments in respect of capital expenditure**

<b>- Approved and contracted for</b>	<b>509 444 979</b>	<b>509 444 979</b>	<b>343 684 676</b>	<b>343 684 676</b>
Infrastructure	482 963 638	482 963 638	343 684 676	343 684 676
Community	26 481 341	26 481 341	-	-
<b>- Approved but not yet contracted for</b>	<b>2 328 050 025</b>	<b>2 328 050 025</b>	<b>2 123 269 217</b>	<b>2 123 269 217</b>
Infrastructure	2 328 050 025	2 328 050 025	2 123 269 217	2 123 269 217
<b>Total</b>	<b>2 837 495 004</b>	<b>2 837 495 004</b>	<b>2 466 953 893</b>	<b>2 466 953 893</b>
This expenditure will be financed from:				
- External Loans				
- Government Grants	2 320 107 133	2 320 107 133	2 077 045 231	2 077 045 231
- Own resources	46 557 683	46 557 683	28 580 078	28 580 078
- Funding still to be sourced	470 830 188	470 830 188	361 328 584	361 328 584
	<b>2 837 495 004</b>	<b>2 837 495 004</b>	<b>2 466 953 893</b>	<b>2 466 953 893</b>

**38 EMPLOYEE BENEFITS INFORMATION**

**38,1 Defined contribution plan**

The following are defined contribution plans: Natal Joint Municipal Pension Fund, National Treasury, Government Employee Pension Fund, SALA Pension Fund and Municipal Councillors Pension Fund. These contributions have been expensed.

**38,2 Other Long-term benefit plan**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality.

The municipality's net obligation in respect of long service awards is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value and the fair value of any related assets is deducted to determine the net obligation.

The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the municipality's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in surplus or deficit in the period in which they arise.

The independent valuers carried out a statutory valuation as at 30 June 2014.

The principal actuarial assumptions used were as follows:

Discount rate per annum	8%	8%	7%	7%
Inflation rate	6%	6%	5%	6%
Net effective discount rate	1%	1%	1%	1%
Benchmark inflation (equal to salary inflation)	7%	7%	6%	7%
Average retirement age	63	63	63	65
Mortality during employment	SA 85-90 ultimate	SA 85-90 ultimate	SA 85-90 ultimate	SA 85-90 ultimate
Percentage of in-service members withdrawing before retirement:				
Age 20	40%	40%	40%	40%
Age 30	25%	25%	25%	25%
Age 40	12%	12%	12%	12%
Age 50	4%	4%	4%	4%
Age 55+	2%	2%	0%	2%

Statement of Financial Position were determined as being the present value of the obligation:

<b>6 685 000</b>	<b>6 685 000</b>	<b>4 221 000</b>	<b>4 221 000</b>
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**EMPLOYEE BENEFITS (continued)**

Movement in the defined benefit obligation is as follows:

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	<b>GROUP 2014 R</b>	<b>IDM 2014 R</b>	<b>GROUP 2013 R</b>	<b>IDM 2013 R</b>
Balance at beginning of the year	4 221 000	4 221 000	3 430 259	3 430 259
Current service cost	510 000	510 000	521 826	521 826
Interest cost	320 000	320 000	214 835	214 835
Benefit payments	(311 714)	(311 714)	(333 339)	(333 339)
Actuarial (gains)/losses	1 945 714	1 945 714	387 419	387 419
Balance at end of year	<b>6 685 000</b>	<b>6 685 000</b>	<b>4 221 000</b>	<b>4 221 000</b>

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	GROUP 2014 R	IDM 2014 R	GROUP 2013 R	IDM 2013 R
The timing of the employee benefits is as follows:				
Current portion of employee benefits	571 000	571 000	279 000	279 000
Employee benefit obligation	6 114 000	6 114 000	3 942 000	3 942 000
	<b>6 685 000</b>	<b>6 685 000</b>	<b>4 221 000</b>	<b>4 221 000</b>

The amounts recognised in the Statement of Financial Performance were as follows:

Current service cost	510 000	510 000	521 826	521 826
Interest cost	320 000	320 000	214 835	214 835
Actuarial (gains)/losses	1 945 714	1 945 714	387 419	387 419
	<b>2 775 714</b>	<b>2 775 714</b>	<b>1 124 080</b>	<b>1 124 080</b>

### 39 CONTINGENT LIABILITY

#### 39,1 Claim for damages

No material claim for damages were noted.

#### 39,2 Vat refund commission claim dispute.

It has been established that the entity may be liable to pay SARS in respect of VAT on grants received from Ilembe District Municipality. Representations have been made to SARS to zero rate these grants and a response is awaited. It has also been established that Ilembe District Municipality may be liable for the water tank deliveries that uMngeni water used to service some of the areas within the district.

### 40 RELATED PARTIES

Members of key management  
Controlled Municipal Entity

*Section 57 managers*  
*Ilembe District Municipality has a 100% holding in Ilembe Development Enterprise (Pty) Ltd.*

Compensation to councillors and other key management

*Refer to note 23 & 24*

#### Related party balances

Amount owed by Ilembe Enterprise included in other receivable:	-	402 924	-	179 576
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#### Related party transactions

Transactions with Enterprise Ilembe Development Agency

Grant funding from the parent for LED projects	-	15 800 000	-	6 834 000
Rental of offices	-	276 886	-	241 143

### 41 EVENTS AFTER THE REPORTING DATE

On 28 August 2014 the council of iLembe District Municipality approved debt impairment, asset impairment, inventory adjustments and certified as irrecoverable unauthorized, irregular, fruitless and wasteful expenditure and reclassification of irregular expenditure as deviations in terms of circular 68, that existed as at 30 June 2014. This resulted in adjusting post balance sheet events in terms of GRAP 14.

The effect on the reported figures is as follows:

#### Statement of financial position

Decrease in Consumer Debtors	(21 828 720)	(21 828 720)
Decrease in carrying amount of property, plant & equipment as :	(299 742 658)	(299 742 658)
Decrease in inventory	(1 658 584)	(1 658 584)

#### Statement of financial performance

Increase in total depreciation, impairment and amortisation	299 742 658	299 742 658
Increase in repairs and maintenance	1 658 584	1 658 584

#### Disclosures

Decrease in Irregular expenditure	12 210 486	12 210 486
Decrease in fruitless and wasteful expenditure	327 872	327 872
Decrease in unauthorized expenditure	9 471 167	9 471 167
Increase in deviations	13 692 655	13 692 655

### 42 RISK MANAGEMENT

#### 42,1 Maximum credit risk exposure

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
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	<b>GROUP 2014 R</b>	<b>IDM 2014 R</b>	<b>GROUP 2013 R</b>	<b>IDM 2013 R</b>
Financial assets exposed to credit risk at year end were as follows:				
Consumer debtors	166 710 220	166 710 220	146 717 363	146 717 363
Other debtors	19 446 509	19 446 509	46 041 693	46 041 693
	<b>186 156 728</b>	<b>186 156 728</b>	<b>192 759 056</b>	<b>192 759 056</b>

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
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	<b>GROUP 2014 R</b>	<b>IDM 2014 R</b>	<b>GROUP 2013 R</b>	<b>IDM 2013 R</b>
Ageing of consumers				
Current (0 – 30 days)	16 420 207	16 420 207	9 431 958	9 431 958
31 - 60 Days	17 640 256	17 640 256	11 574 936	11 574 936
61 - 90 Days	6 609 142	6 609 142	10 221 622	10 221 622
91 - 120 Days	4 341 352	4 341 352	4 424 469	4 424 469
121 - 365 Days	5 787 472	5 787 472	111 064 378	111 064 378
+ 365 Days	115 911 791	115 911 791	-	-
Total	166 710 220	166 710 220	146 717 363	146 717 363
Less: Provision for bad debts	(75 655 325)	(75 655 325)	(75 694 159)	(75 694 159)
Net consumer debtors	<b>91 054 895</b>	<b>91 054 895</b>	<b>71 101 079</b>	<b>71 101 079</b>
Cash and cash equivalents	47 056 818	44 838 379	24 894 533	21 995 407
Other investments	21 549 063	21 549 063	20 115 704	20 115 704
	<b>68 605 881</b>	<b>66 387 442</b>	<b>45 010 237</b>	<b>42 111 110</b>

These balances represent the maximum exposure to credit risk.

#### 42.2 Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The municipalities approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due; without incurring unacceptable losses or risking damage to the Municipalities reputation.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The Municipalities liability are backed by appropriate assets and it has significant liquid resources.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<b>Within a year</b>	<b>Between 2 to 5 years</b>	<b>Total</b>
<b>2014</b>			
Gross finance lease obligations	1 452 292	441 046	<b>1 893 339</b>
Borrowings	3 115 127	86 268 717	<b>89 383 844</b>
Trade and other payables	213 721 320	-	<b>213 721 320</b>
Other	571 000	6 114 000	<b>6 685 000</b>
	<b>218 859 739</b>	<b>92 823 764</b>	<b>311 683 503</b>
<b>2013</b>			
Gross finance lease obligations	3 598 582	1 848 304	<b>5 446 886</b>
Borrowings	2 607 447	89 625 927	<b>92 233 374</b>
Trade and other payables	162 236 335	-	<b>162 236 335</b>
Other	279 000	3 942 000	<b>4 221 000</b>
	<b>168 721 364</b>	<b>95 416 231</b>	<b>264 137 595</b>

#### 42.3 Interest rate risk

The Municipality is not exposed to interest rate risk on its financial liabilities. All of the Municipality's interest bearing external loan liabilities are fixed interest loans.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

The Municipality is exposed to fairvalue interest rate on its external loan liabilities , which are all fixed interest rates.

At year end, financial instruments exposed to interest rate risk were as follows:

Cash and cash equivalents	47 056 818	44 838 379	24 894 533	21 995 406
Other investments	21 549 063	21 549 063	20 115 704	20 115 704
Gross finance lease obligations	1 893 339	1 893 339	5 446 886	5 446 886
Borrowings	89 383 844	89 383 844	92 233 374	92 233 374
Consumer debtors	166 710 220	166 710 220	146 717 363	146 717 363

#### 42.4 Foreign Currency Risk

Municipality has a three year contract for the deployment of Microsoft share point with Microsoft, therefore the Municipality is exposed to change in Foreign currency risk.

At year end

Foreign exchange losses were: 81 899 81 899 267 628 267 628

Foreign exchange liability was: 856 454 856 454 1 703 931 1 703 931

Sensitivity analysis:

The Spot rate at 30 June 2014 was 10.599, should the spot rate increase by 10% the foreign liability will be R 942 099.75 and the foreign loss will increase to R 90 088.48. Should the spot rate decrease by 10% the forex liability will be R 770 808.89 and the Forex loss will decrease to R 73 708.61.

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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<b>GROUP</b>	<b>IDM</b>	<b>GROUP</b>	<b>IDM</b>
<b>2014</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at 30 June 2014**

	GROUP 2014 R	IDM 2014 R	GROUP 2013 R	IDM 2013 R
<b>43 RESTATEMENT OF COMPARATIVE INFORMATION</b>				
<b>Statement of Financial Performance:</b>	<b>Restated Comparative</b>	<b>Restated Comparative</b>	<b>Prior Year Disclosure</b>	<b>Prior Year Disclosure</b>
The items listed below have been reclassified from general expenses to contracted services				
<b>Contracted Services</b>				
- Rental of buildings		232 963		-
- Vehicle Hire	8 147 211	5 411 232	-	-
<b>General Expenses</b>				
- Rental of buildings		-		241 143
- Vehicle Hire		-		2 369 803
The items listed below have been reclassified from general expenses and are separately disclosed				
<b>General Expenses</b>				
Special Projects		1 069 618		-
Other		3 945 266	31 305 671	7 016 643
The items listed below have been reclassified from general expenses to service charges				
<b>Service Charges</b>				
- Free basic water siza water		1 880 011		-
<b>General Expenses</b>				
- Free basic water siza water		-		1 238 396
The items listed below have been reclassified from grant expenses to general expenses				
<b>General Expenses</b>				
- LG Seta Expenditure		669 704		
<b>Grant Expenses</b>				
- LG Seta Expenditure				1 068 688
The items listed below have been reclassified from transfers and grants to other income				
<b>Other income</b>				
- LG Seta		268 294		-
<b>Transfers and Grants</b>				
- LG Seta				1 068 688
The items listed below have been reclassified from other income to investment income				
<b>Other income</b>				
Interest on bank accounts				703 934
<b>Investment Income</b>				
Interest on bank accounts		664 038		
<b>44 OPERATING LEASES</b>				
The future minimum lease payments payable under operating leases for the actual liability are as follows:				
No later than 1 year	43 923		241 577	
Later than 1 year and no later than 5				
The entity is both the lessee and lessor of an office property. The lease was negotiated for a term of five years and the rental is escalated annually.				
<b>45 TRANSFER OF AGRICULTURAL</b>				
The process of transferring the following agricultural assets presently disclosed as PPE Agriculture, Biological Assets and Projects Under Construction will begin:				
Agri Processing Hubs	1 484 715		1 484 715	
Bio Diesel	5 777 329		5 777 329	
North Coast Vineyards	598 097		598 097	
Winery	3 717 858		3 717 858	
Agri Processing Facilities	1 387 211		1 387 211	
Moringa Plantations	1 689 280		1 689 280	

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**APPENDIX A**  
**UNAUDITED SCHEDULE OF EXTERNAL LOANS**  
as at 30 June 2014

<b>EXTERNAL LOANS</b>	<b>Loan number</b>	<b>Redeemable Date</b>	<b>Balance at 1 July 2013</b>	<b>Received during the period</b>	<b>Redeemed / written off during the period</b>	<b>Balance at 30 June 2014</b>
			<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>LONG-TERM LOANS</b>						
ABSA Bank @10.65%		2025	30 000 000	-	-	30 000 000
Development Bank of SA @10.80%		2025-09-30	62 233 374	-	2 849 530	59 383 844
<b>Total long-term loans</b>			<b>92 233 374</b>	<b>-</b>	<b>2 849 530</b>	<b>89 383 844</b>
<b>ANNUITY LOAN</b>						
Development Bank of SA @16.50%	13527		183 219		107 256	75 963
Development Bank of SA @13.45%	11578	2014	2 162		1 925	238
<b>Total capital creditors</b>			<b>185 381</b>	<b>-</b>	<b>109 181</b>	<b>76 201</b>
<b>TOTAL EXTERNAL LOANS</b>			<b>92 418 755</b>	<b>-</b>	<b>2 958 710</b>	<b>89 460 045</b>



**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**APPENDIX B**  
**UNAUDITED ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
**As at 30 June 2014**

	Cost / Revaluation						Accumulated Depreciation							Carrying Value
	Opening Balance	Additions	Change in policy/prior year errors	Disposals	Transfers	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Change in policy/prior year errors	Impairment loss/Reversal of impairment loss	Closing Balance	
	R	R		R		R	R	R	R	R		R	R	R
Land	3 242 908	-	-	-	-	-	3 242 908	-	-	-	-	-	-	3 242 908
	<b>3 242 908</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 242 908</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 242 908</b>
Buildings	18 604 637	-	-	(105 257)	-	-	18 499 380	(4 861 003)	(630 098)	6 725	855	-	(5 483 521)	13 015 858
Agriculture	18 351 551	-	-	-	-	-	18 351 551	(2 295 777)	(1 235 918)	-	42 853	-	(3 488 842)	14 862 709
Infrastructure														
Sewerage Mains & Purification	79 703 991	1 430 386	-	(12 276)	-	-	81 122 101	(12 699 048)	(2 720 076)	1 550	(128 106)	(22 116 365)	(37 662 046)	43 460 055
Water Mains & Purification	713 412 049	186 947 023	-	(642 901)	-	-	899 716 171	(70 208 093)	(29 114 340)	77 483	(1 279 477)	(277 538 640)	(378 063 067)	521 653 102
Under construction	413 077 755	-	-	-	(190 696 536)	296 838 018	519 219 237	-	-	-	-	-	-	519 219 237
	<b>1 206 193 795</b>	<b>188 377 409</b>	<b>-</b>	<b>(655 177)</b>	<b>(190 696 536)</b>	<b>296 838 018</b>	<b>1 500 057 509</b>	<b>(82 907 141)</b>	<b>(31 834 416)</b>	<b>79 033</b>	<b>-</b>	<b>(299 655 005)</b>	<b>(415 725 113)</b>	<b>1 084 332 395</b>
							-							
Total carried forward	1 246 392 891	188 377 409	-	(760 434)	(190 696 536)	296 838 018	1 540 151 348	(90 063 920)	(33 700 432)	85 758	43 708	(299 655 005)	(424 697 475)	1 115 453 870

**ILEMBE DISTRICT MUNICIPALITY**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
**As at 30 June 2014**

Cost / Revaluation						Accumulated Depreciation							
Opening Balance	Additions	Change in policy/prior year errors	Disposals		Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Change in policy/prior year errors	Impairment loss/Reversal of impairment loss	Closing Balance	Carrying Value
R	R		R		R	R	R	R	R		R	R	R
1 246 392 891	188 377 409		(760 434)	(190 696 536)	296 838 018	1 540 151 348	(90 063 920)	(33 700 432)	85 758	43 708	(299 655 005)	(424 697 475)	1 115 453 870
3 798 410	94 241	-	(165 475)	-	-	3 727 176	(1 999 145)	(443 050)	104 793	907	(24 381)	(2 360 876)	1 366 300
2 427 013	46 228		(103 941)	-	-	2 369 300	(1 282 464)	(372 945)	80 943	-	(9 543)	(1 584 009)	785 292
8 037 206	634 211	-	(266 810)	-	-	8 404 607	(4 135 120)	(831 415)	205 227	-	(49 269)	(4 810 578)	3 594 029
7 993 348	147 064	(1 204)	(229 159)	-	-	7 910 049	(4 313 025)	(1 363 758)	192 378	(8 919)	(4 459)	(5 497 783)	2 412 266
22 255 977	921 744	(1 204)	(765 385)	-	-	22 411 132	(11 729 754)	(3 011 168)	583 341	(8 012)	(87 653)	(14 253 246)	8 157 887
21 926 035	-		(10 025 308)	-	-	11 900 727	(16 199 903)	(3 605 736)	9 882 191	-	-	(9 923 448)	1 977 279
21 926 035	-	-	(10 025 308)	-	-	11 900 727	(16 199 903)	(3 605 736)	9 882 191	-	-	(9 923 448)	1 977 279
1 290 574 904	189 299 153	(1 204)	(11 551 127)	(190 696 536)	296 838 018	1 574 463 208	(117 993 577)	(40 317 336)	10 551 290	35 696	(299 742 658)	(448 874 169)	1 125 589 036

**ILEMBE DISTRICT MUNICIPALITY**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
as at 30 June 2013

	Cost / Revaluation				Accumulated Depreciation								Carrying Value R
	Opening Balance R	Additions R	Change in policy/prior year errors	Disposals R	Under Construction R	Closing Balance R	Opening Balance R	Depreciation R	Disposals R	Change in policy/prior year errors	Impairment loss/Reversal of impairment loss R	Closing Balance R	
<b>Land</b>	3 242 908	-	-	-	-	3 242 908	-	-	-	-	-	-	3 242 908
	<b>3 242 908</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 242 908</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 242 908</b>
<b>Buildings</b>	<b>18 593 834</b>	<b>10 802</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18 604 636</b>	<b>(4 209 008)</b>	<b>(634 098)</b>	<b>-</b>	<b>(17 897)</b>	<b>-</b>	<b>(4 861 003)</b>	<b>13 743 633</b>
<b>Agriculture</b>	<b>14 471 198</b>	<b>3 880 353</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18 351 551</b>	<b>(1 225 909)</b>	<b>(1 070 650)</b>	<b>-</b>	<b>782</b>	<b>-</b>	<b>(2 295 777)</b>	<b>16 055 774</b>
<b>Infrastructure</b>													
Sewerage Mains & Purification	84 041 332	1 798 270	(5 535 577)	(600 034)	-	79 703 991	(11 635 453)	(1 695 521)	-	631 926	-	(12 699 048)	67 004 943
Water Mains & Purification	615 577 107	101 321 382	(6 671 720)	(5 003 383)	8 188 663	713 412 049	(54 215 489)	(14 314 367)	-	(1 678 237)	-	(70 208 093)	643 203 957
Under construction	227 866 479	-	-	-	185 211 276	413 077 755	-	-	-	-	-	-	413 077 755
	<b>927 484 918</b>	<b>103 119 652</b>	<b>(12 207 296)</b>	<b>(5 603 417)</b>	<b>193 399 939</b>	<b>1 206 193 795</b>	<b>(65 850 942)</b>	<b>(16 009 888)</b>	<b>-</b>	<b>(1 046 311)</b>	<b>-</b>	<b>(82 907 141)</b>	<b>1 123 286 655</b>
<b>Total carried forward</b>	<b>963 792 858</b>	<b>107 010 807</b>	<b>(12 207 296)</b>	<b>(5 603 417)</b>	<b>193 399 939</b>	<b>1 246 392 890</b>	<b>(71 285 859)</b>	<b>(17 714 636)</b>	<b>-</b>	<b>(1 063 426)</b>	<b>-</b>	<b>(90 063 920)</b>	<b>1 156 328 970</b>

**ILEMBE DISTRICT MUNICIPALITY**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
as at 30 June 2013

	Cost / Revaluation				Accumulated Depreciation								Carrying Value R
	Opening Balance R	Additions R	Change in policy/prior year errors	Disposals R	Under Construction R	Closing Balance R	Opening Balance R	Depreciation R	Disposals R	Change in policy/prior year errors	Impairment loss/Reversal of impairment loss R	Closing Balance R	
<b>Total brought forward</b>	<b>963 792 858</b>	<b>107 010 807</b>	<b>(12 207 296)</b>	<b>(5 603 417)</b>	<b>193 399 939</b>	<b>1 246 392 890</b>	<b>(71 285 859)</b>	<b>(17 714 636)</b>	<b>-</b>	<b>(1 063 426)</b>	<b>-</b>	<b>(90 063 920)</b>	<b>1 156 328 970</b>
<b>Other Assets</b>													
Office Equipment	3 685 800	244 935	-	(132 325)	-	3 798 410	(1 565 398)	(471 982)	73 970	(9 630)	(26 105)	(1 999 145)	1 799 265
Machinery & Equipment	2 481 778	-	-	(54 765)	-	2 427 013	(918 077)	(398 204)	37 464	-	(3 647)	(1 282 464)	1 144 550
Transport Assets	9 077 451	698 635	149 474	(1 888 353)	-	8 037 206	(4 568 270)	(892 653)	1 395 532	-	(69 730)	(4 135 120)	3 902 086
Computer Equipment	7 339 991	1 104 487	(1 436)	(449 693)	-	7 993 349	(3 329 828)	(1 357 809)	415 937	(2 225)	(39 101)	(4 313 025)	3 680 323
	<b>22 585 019</b>	<b>2 048 057</b>	<b>148 038</b>	<b>(2 525 136)</b>	<b>-</b>	<b>22 255 978</b>	<b>(10 381 572)</b>	<b>(3 120 648)</b>	<b>1 922 904</b>	<b>(11 855)</b>	<b>(138 583)</b>	<b>(11 729 754)</b>	<b>10 526 224</b>
<b>Finance Lease Assets</b>													
Other Assets	22 388 844	-	-	(462 809)	-	21 926 035	(12 092 955)	(4 435 203)	328 255	-	-	(16 199 903)	5 726 133
	<b>22 388 844</b>	<b>-</b>	<b>-</b>	<b>(462 809)</b>	<b>-</b>	<b>21 926 035</b>	<b>(12 092 955)</b>	<b>(4 435 203)</b>	<b>328 255</b>	<b>-</b>	<b>-</b>	<b>(16 199 903)</b>	<b>5 726 133</b>
<b>Total</b>	<b>1 008 766 721</b>	<b>109 058 864</b>	<b>(12 059 258)</b>	<b>(8 591 362)</b>	<b>193 399 939</b>	<b>1 290 574 904</b>	<b>(93 760 386)</b>	<b>(25 270 486)</b>	<b>2 251 159</b>	<b>(1 075 281)</b>	<b>(138 583)</b>	<b>(117 993 577)</b>	<b>1 172 581 327</b>

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**APPENDIX C**  
**UNAUDITED SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT**  
**As at 30 June 2014**

	Cost / Revaluation					Accumulated Depreciation				
	Opening Balance R	Additions R	Under Construction R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposal & Impairment R	Closing Balance R	Carrying value R
Executive & Council	16 030 554	781 275		(495 969)	16 315 860	(8 448 146)	(2 195 173)	334 957	(10 308 362)	6 007 498
Finance & Admin	28 072 968	140 469		(270 620)	27 942 818	(8 142 611)	(1 446 093)	55 041	(9 533 662)	18 409 155
Waste Management	79 703 991	1 430 386		(12 276)	81 122 101	(12 699 048)	(2 720 076)	(22 242 921)	(37 662 046)	43 460 055
Agriculture PPE	18 351 551				18 351 551	(2 295 777)	(1 235 918)	42 853	(3 488 842)	14 862 709
Water	713 412 049	186 947 023	-	(642 901)	899 716 171	(70 208 093)	(29 114 340)	(278 740 635)	(378 063 067)	521 653 104
Under Construction	413 077 755	-	106 141 482	-	519 219 237		-			519 219 237
Other	21 926 035	-		(10 025 308)	11 900 727	(16 199 903)	(3 605 736)	9 882 191	(9 923 448)	1 977 280
<b>Total</b>	<b>1 290 574 904</b>	<b>189 299 153</b>	<b>106 141 482</b>	<b>(11 447 074)</b>	<b>1 574 568 465</b>	<b>(117 993 577)</b>	<b>(40 317 336)</b>	<b>(290 668 513)</b>	<b>(448 979 426)</b>	<b>1 125 589 036</b>

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**APPENDIX D**  
**UNAUDITED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE**  
**as at 30 June 2014**

<b>2013</b>	<b>2013</b>	<b>2013</b>		<b>2014</b>	<b>2014</b>	<b>2014</b>
<b>Actual Income</b>	<b>Actual</b>	<b>Surplus / (Deficit)</b>		<b>Actual Income</b>	<b>Actual</b>	<b>Surplus / (Deficit)</b>
<b>R</b>	<b>Expenditure</b>	<b>R</b>		<b>R</b>	<b>Expenditure</b>	<b>R</b>
	<b>R</b>				<b>R</b>	
38 974 882	59 974 199	(20 999 317)	Executive & Council	41 432 243	60 614 515	(19 182 272)
417 719 501	80 172 185	337 547 316	Finance & Admin	136 186 000	106 284 503	29 901 497
17 051 454	19 928 930	(2 877 476)	Planning & Development	15 231 272	25 475 457	(10 244 185)
4 796 072	4 796 072	-	Community & Social Services	1 924 930	4 185 504	(2 260 574)
52 979 765	13 367 854	39 611 911	Waste Management	66 506 893	46 323 143	20 183 750
185 235 090	255 999 002	(70 763 912)	Water	464 710 089	555 242 203	(90 532 115)
<b>716 756 764</b>	<b>434 238 242</b>	<b>282 518 522</b>	<b>Total</b>	<b>725 991 426</b>	<b>798 125 325</b>	<b>(72 133 900)</b>

# **REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND COUNCIL ON ILEMBE DISTRICT MUNICIPALITY**

## **REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS**

### **Introduction**

1. I have audited the consolidated and separate financial statements of the Ilembe District Municipality set out on pages ... to ..., which comprise the consolidated and separate statement of financial position as at 30 June 2014, the consolidated and separate statement of financial performance, statement of changes in net assets, the cash flow statement and the statement of comparison of budget information with actual information for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information.

### **Accounting officer's responsibility for the consolidated financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2013 (Act No. 2 of 2013) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor-general's responsibility**

3. My responsibility is to express an opinion on these consolidated and separate financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's and its entity's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's and its entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Opinion**

6. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the ILembe District Municipality as at 30 June 2014, and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA.

## **Emphasis of matters**

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

## **Material losses and impairment**

8. As disclosed in note 36.8 to the consolidated and separate financial statements, material water distribution losses of R34,88 million (11,19 million kilolitres) were incurred as a result of illegal connections, ageing infrastructure, reservoir overflows and service leaks.
9. As disclosed in note 36.7.2 to the consolidated and separate financial statements, council has incurred material debt impairment losses of R21,82 million written off against the provision for bad debts. This is mainly as a result of restricted inactive accounts that are accumulating interest with no corresponding payments and pensioner accounts and deceased consumer accounts that are accumulating interest. This write-off has resulted in a decrease in consumer debtors and provision for bad debts.
10. As disclosed in note 36.7.1 to the consolidated and separate financial statements, council has incurred material infrastructure asset impairment losses of R299,74 million in the current year due to a significant decrease in the remaining useful lives and recoverable amounts of these assets. This has resulted in the municipality realising an overall deficit in the current year.

## **Significant uncertainty**

11. With reference to note 39.2 to the consolidated and separate financial statements, the iLembe Management Development Enterprise (Pty) Ltd made representations with regard to a possible payment of output value-added tax (VAT) on grants received from its parent municipality.

## **Material under spending of the capital budget**

12. As disclosed in the statement of comparison of budget and actual amounts, the municipal entity has materially underspent the budget on capital expenditure to the amount of R23,07 million. This has resulted in the entity not achieving all its planned service delivery targets for the year.

## **Additional matters**

13. I draw attention to the matters below. My opinion is not modified in respect of these matters.

## **Unaudited supplementary schedules**

14. The supplementary information set out on pages xx to xx does not form part of the consolidated and separate financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

## Unaudited disclosure notes

15. In terms of section 125(2) (e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the consolidated and separate financial statements and accordingly I do not express an opinion thereon.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

16. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for the selected objective presented in the annual performance report, compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters

### Predetermined objectives

17. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objective presented in the annual performance report of the municipality for the year ended 30 June 2014:
- Basic service delivery and infrastructure, on pages x to x.
18. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
19. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information*.
20. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
21. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected objectives.

### Additional matters

22. Although no material findings concerning the usefulness and reliability of the performance information were identified in the annual performance report, I draw attention to the matters below.

### Achievement of planned targets

23. Refer to the annual performance report on pages XX to XX for information on the achievement of the planned targets for the year.

## Unaudited supplementary schedules

24. The supplementary information set out on pages x to x does not form part of the annual performance report and is presented as additional information. I have not audited these schedules and, accordingly, I do not express a conclusion thereon.

## Compliance with legislation

25. I performed procedures to obtain evidence that the municipality had complied with legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

## Internal control

26. I considered internal control relevant to our audit of the consolidated and separate financial statements, the annual performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

## OTHER REPORTS

### Investigations

#### Investigations in progress

27. Provincial Internal Audit Services performed an investigation into alleged irregularities in respect of a security tender process. The investigation commenced in January 2013 and was finalised. Another investigation related to allegations of fraudulent issuing of clearance certificates to conveyors under the letterheads of the municipality. The investigation commenced in July 2011 and is still in progress. Furthermore, Provincial Internal Audit Services performed an investigation into allegations of fraud and corruption against senior officials. The investigation commenced in July 2012 and is still in progress.

#### Investigations completed during the financial year

28. Provincial Internal Audit Services performed an investigation into alleged irregularities relating to the 2011 SALGA games. The investigation commenced in August 2012 and was finalised in August 2013. Provincial Internal Audit Services completed another investigation into allegations of fraud and corruption within procurement and payments (supply of water reservoir). The investigation commenced in August 2012 and was finalised in August 2013.

*Auditor-General*  
Pietermaritzburg

12 December 2014



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*





## Vision

*To make iLembe District the destination of choice for investment and business*

## Mission

*To drive economic development in the iLembe District*

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# Chapter 1

## Introduction & Overview

### 1.1. Overview of iLembe District Municipality

The iLembe District Municipality is situated on the East Coast of South Africa in the Province of KwaZulu Natal. iLembe District is bordered by eThekweni Metro in the South, linked to Uthungulu District in the north by the coastal highway, which is a key corridor in the region and is bordered in the west by Umgungundlovu and Umzinyathi Districts. It is located between Africa's busiest ports of Richards Bay and Durban and is in close proximity to the King Shaka International Airport and the Dube Tradeport. It is the smallest District Municipality in the province with a total population of approximately 606 000. The municipality covers 3260 square kilometres and is divided into four local municipalities:

- Maphumulo Municipality
- KwaDukuza Local Municipality
- Ndwedwe Local Municipality
- Mandeni Municipality



iLembe is located between two of Africa's busiest ports, Durban and Richards Bay, and is therefore well positioned not only to local, but also international markets. Despite its strategic location, iLembe faces numerous economic challenges such as the high levels of poverty in the rural inland areas, which contrasts with rapid development along its coastal regions. The District has been proactive in developing a broad based intervention to facilitate local economic development in response to its challenges of high rates of unemployment and correspondingly high levels of poverty.

**The economic sectors that constitute the pillars of iLembe's economy are the following:**

- **Agriculture** - This sector is characterised by two main distinct types:
    - Commercial agriculture, such as sugar cane farming along the coastal strip
    - Subsistence agriculture in the rural hinterland and inland areas
  - **Manufacturing** - This sector is mainly characterized by the following types of industries:
    - Primary sector comprises of heavy industries, such as sugar and paper mill production in the Isithebe Industrial Estate near Mandeni
    - Secondary sector activities include light industries that are prevalent throughout the district and with a focus on the rural areas of the district as well as along the coastal belt.
  - **Tourism** - iLembe is one of the prime domestic tourism attractions in South Africa due to its favourable climate and its excellent beaches. This sector has consistently grown in iLembe and offers a variety of tourism facilities that can be categorised as follows:
    - Cultural and heritage tourism
    - Beach tourism
    - Nature-based and adventure tourism
  - **Commerce and Services** - This sector includes the following sub sectors and is found in all the main urban centres throughout the district with specific reference to the towns of KwaDukuza and Ballito:
-

- Wholesale / retail trade Transport / storage Communication Financial / insurance
- Real estate Business / Community / social / personal services Government services

## 1.2. Foreword by the Chairman



The Board, during the past year has provided strategic direction and oversight to the Management of the organisation. As an organisation that has been in existence for a few years, we are proud of the achievements in building an enterprise with an enviable profile and plausible delivery track record. The announcement by Cabinet to establish Agencies such as Enterprise iLembe across the province is hailed as a major success for the organisation. In addition all districts are now mandated to roll-out the National Schools Nutrition Programme via these Agencies is seen as a further 'feather in the cap' for Enterprise iLembe so to speak.

While the pilot implementation of the National Schools Nutrition Programme (NSNP) proved to be an immense challenge for the Entity also impacting on the delivery of other projects and programmes; we are extremely pleased that as a Board and Management we were able to overcome these challenges through collective collaboration and planning. We look forward to another successful year of implementing this exciting and rewarding programme.

As an Entity we are always under enormous pressure to deliver and to create practical and efficient mechanisms to improve our LED projects implementation, and to generate new LED projects. The organogram of the Organisation was reviewed in line with this and we are hoping that in filling key vacant positions early in the next financial year this will increase our capacity to deliver on the mandate to the Shareholder.

In reviewing the Performance of the Entity through the Service Delivery Budget Implementation plan, as a Board we are pleased with the overall performance whilst conceding that there is a lot more that needs to be done in order that we address the triple challenge of poverty, inequality and job creation.

As a Board, we are incredibly indebted to the visionary political leadership of the Council of iLembe District, led by His Worship Mayor Mdabe, and the Management team led by Mr. Gumede. We are looking forward to a much better 2014/2015 period, in which we hope to register better performance in the area of job creation economic development.

**B.N. LINDA**  
**Chairman**

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### 1.3. Foreword by the Acting Chief Executive Officer

Enterprise iLembe has just completed a challenging but very successful year. The biggest challenge was the implementation of the National Schools Nutrition Programme (NSNP), which, during the third quarter of the year almost drained the entity's cash flow. On the other hand we also had a successful year.

- The iLembe Co-operative Winery celebrated its first production with a very successful opening of the winery by the MEC for Co-operative Governance and Traditional Affairs;
- The winery project won the KwaZulu-Natal provincial prize for the Best Community Project.
- Challenging as it may, the implementation of the NSNP was hailed as the most effective weapon to fight poverty in the country by the Premier of KZN and his Cabinet. The other 10 districts in the Province were mandated to also adopt the iLembe Initiative.

iLembe District continues to be the fastest growing district in KwaZulu-Natal. Significant new businesses have opened in the district including a new luxury motor dealership in Ballito; the SMD Motor Group who also adopted the 'green approach' in the construction of their building. In September 2014 a new Virgin Active Fitness Centre opened its doors in the district. Corobrick is also preparing to establish a presence in the region. KwaDukuza Municipality has approved development projects worth over R5billion.

The implementation of the NSNP came with many challenges as both the Department of Education (DoE) and Enterprise iLembe entered a completely new area of operation. The difficulty in reaching a legal agreement that was satisfactory to Enterprise iLembe left the Entity at a disadvantage and at the mercy of DoE appointed service providers. Only 50% of the service providers 'procured' vegetables from our farmers. They insisted on buying the same at cost. Enterprise iLembe thus could not recover the costs of implementing the service. In addition, the delays in processing payments by DoE put Enterprise iLembe's cash flow in a very precarious situation.

Despite the challenges, Enterprise iLembe with support from our shareholder the iLembe District Municipality, managed to weather the storms and successfully implement this important poverty alleviation project. During this process DoE was made aware of the challenges the contract posed to Enterprise iLembe. Consequently, the Department of Education and Enterprise iLembe have concluded a much better contract that gives Enterprise iLembe the responsibility to supply fresh produce direct to

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the schools rather than to the service providers. This will enable Enterprise iLembe to recover the costs of running the programme. This agreement will also benefit other districts that still have to start implementing the NSNP.

The NSNP and other social challenges have, unfortunately had a negative impact on other projects. The local Inkosi closed down the vineyards in Ndwedwe for 3 months because of an ownership of land misunderstanding. This severely affected the vines, which needed extra care in this locality as it is not a natural vine growing area. The whole vineyard needs to hence be replanted. In addition the harvesting season coincided with the dire cash flow situation and thus the vineyards in Maphumulo and Mandeni could not be harvested in February 2014.

Numerous attempts to attract Technical Partners for the biodiesel plant in Mandeni came to naught. Experts in the biodiesel production field informed Enterprise iLembe that the equipment purchased was not suitable for Enterprise iLembe's intended biodiesel production. The Board of Enterprise iLembe agreed to a proposal to abandon the project and consider proposals for the sale of equipment. The proposals are going to be considered before the end of the first quarter of the new financial year. Enterprise iLembe is currently considering proposals to revive the Moringa Plantation project as a stand-alone business where the communities are going to grow, process and sell Moringa leaf powder and Moringa seeds.

The Technical Partner for the Hydroponic Tunnels withdrew from the project in March 2014. Enterprise iLembe has, in consultation with the affected employees from the tunnels, prepared a new business turnaround plan, which will rescue the Hydroponic Tunnels as sustainable businesses. The Economic Development Portfolio Committee of iLembe District Municipality is currently in discussions with Amakhosi and the ward councilors to agree on the ownership model of the project and other community projects that Enterprise iLembe fosters. Once the Council and the Department of Co-operative Governance and Traditional Affairs have approved the model, the projects will be duly transferred to the community relevant structures. Enterprise iLembe will, however, continue to support the new owners to ensure long-term sustainability of the projects.

iLembe District was designated as the KwaZulu-Natal Economic Hub for renewable energy and to this end Enterprise iLembe conducted a pre-scoping study of the potential of renewable energy projects in iLembe. Results indicated possibilities in solar, small hydro on the Thukela river and biomass projects

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in the district. In addition, The Department of Economic Development, Tourism and Environmental Affairs are also investigating the development of a renewable energy hub in the District. In the hub there will be research and manufacturing facilities for renewable energy plants.

With funding from COGTA, Enterprise iLembe also conducted a Local Development Strategy for the region. The strategy is in line with the Provincial Growth and Development Plan.

Tourism continues to be a significant contributor to the economy of iLembe District contributing in the region of R1.6 billion to the economy and creating about 8000 jobs. Enterprise iLembe formed key strategic partnerships with our provincial partners and continues to collaborate with the District's tourism businesses to ensure that more and more tourists visits the region. Enterprise iLembe is forming a strategic alliance with Ethekewini municipality's tourism body, Durban Tourism in order to partner, align and leverage on programs and projects.

As part of tourism promotion Enterprise iLembe participates in the key travel and tourism exhibitions such as Domestic Shows in Gauteng and Cape Town and the International Tourism Indaba including the production of relevant marketing material such as the Annual Visitor Guide. Events are also seen as a key tool to position and attract more tourists to the region and to this end Enterprise iLembe supports. Annual events such as Hlomendlini Cultural Event and Dolphin Ultra Marathon as well as those hosted by our local municipalities, which include The Mr. Price Pro and iBeach Festivals.

Enterprise iLembe is a lead participant in the development of the Liberation Heritage Route from Durban through Inanda, Ndwedwe, KwaDukuza, Maphumulo and Mandeni. As part of this development, Enterprise iLembe is preparing a feasibility study for the re-development of the King Shaka Observation Rock in Groutville to be a world-class heritage and tourism site. This is with the aim to increase product development and geographical spread of tourism as well as to unlock the potential of historical sites in the district. Funding from the Department of Economic Development Tourism and Environmental Affairs will assist with the kick-start of the King Shaka Tourism Route Project with initial upgrades to the King Shaka Visitor Centre in KwaDukuza.

Marketing and positioning of the District in line with our vision continues through various mediums and platforms and this includes both print and online media. There is continuous engagement with our

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partners such as IDC, TIKZN and TKZN around investment promotion initiatives that the Agency can leverage off.

Support and guidance from our key stakeholders, the political and administrative leadership of iLembe District Municipality and the iLembe family of local municipalities i.e. KwaDukuza, Mandeni, Maphumulo and Ndwedwe is key to Enterprise iLembe implementing its mandate. Once again we say “Thank you” to them.

We also like to thank all our partners and stakeholders including the Department of co-operative Governance and Traditional Affairs, Education, Agriculture, and Economic Development as well as our private sector partner the iLembe Chamber of Commerce, Industry and Tourism.

The Board of Directors of Enterprise iLembe continues to provide guidance at very critical periods during the past financial year. We are grateful to have such a committed Board to help us weather the storms.

Our staff members remain our very change agents in their own spheres. Continue to be the beacon of hope for poor communities in the District.

**Z.S. GUMEDE**  
**Acting CEO**

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## 1.4. Executive Summary

The mandate of Enterprise iLembe remains clear, to drive socio economic development through poverty alleviation and sustainable job creation.

Business has changed and will continue to change. The economy and the world markets have changed and will continue to change. What will determine our sustainability is our continuous ability to adapt to that change, ensuring continuous and meaningful impact in the communities we serve.

Enterprise iLembe has progressed well in balancing building capacity appropriate for a well resourced agency, whilst running a implementing a number of LED projects. Our success in these areas has seen us receive recognition by industry, peers, government, but more importantly and most rewarding, the appreciation expressed by the communities that have benefited from the LED projects we have implemented to date.

Strategic partnerships have been formed with key stakeholders in the National, Provincial and Local space in order to unlock opportunities for local economic development and empowerment in iLembe, and we will continue to nurture and grow these partnerships.

Enterprise iLembe will continue to position itself as an Agency for doing business in iLembe.

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## 1.5. Objectives & Functions of Enterprise iLembe

Enterprise iLembe was established primarily to drive Economic Development in the iLembe District and to promote trade and investment in the region.

### 1.5.1 Agency Mandate and Functions

- Develop and strengthen the local economic development strategy on behalf of the district and family of municipalities;
- Champion a wide range of activities which emerge as important from the family of IDPs and LED Strategies;
- Co-ordinate LED activities to ensure alignment and integration;
- District marketing and promotion of tourism and investment promotion;
- Facilitate the identification, packaging and implementation of catalytic projects in the four key sectors and new sectors;
- Provide professional and multi-skilled support and networking services to major investors who wish to invest in the region;

### 1.5.2 Operating Principles

- Bring the poor and previously disadvantaged to the centre of development
  - Develop strategies to minimize the gap between the 2<sup>nd</sup> and 1<sup>st</sup> Economy
  - Build a synergistic relationship between Local Economic Development and Social Upliftment.
  - Build Linkages between the established coastal economies and historically marginalised rural areas.
  - Build a culture of Social, Economic & Environmental interdependency as the first test when evaluating opportunities. (i.e. triple bottom line)
  - Focus LED around realistic catalytic initiatives natural to the region and wherever possible building on the uniqueness of local competitive advantage and market differentiation.
  - Building a capacity to nurture effective and mutually beneficial partnerships based on fair and equitable business principles.
  - Ability to leverage Broad Based Black Economic Empowerment (BBBEE) as measured by direct or potential equity and not only new jobs created.
-

### 1.5.3 Key Strategic Objectives

#### Strategic Objective 1:

**Facilitate research that assists with Policy Development and formulation that impacts the mandate of the Agency:**

- Identify policies and Acts that effect the Agency
- Research Team
- Market Intelligence(international, national, provincial, local)
- Research that will influence the decision making process

#### Strategic Objective 2:

Influence policy and the regulatory environment for socio economic development and investment.

- Identify existing structures and leverage of those
- If none, create structures
- Use structures to engage government
- Include issues of infrastructure and spatial planning
- Influence infrastructural and spatial planning

#### Strategic Objective 3:

Identify, build and co-ordinate partnerships among socio economic stakeholders

#### Strategic Objective 4:

Facilitate the packaging & implementation of projects in existing and new sectors

#### Strategic Objective 5:

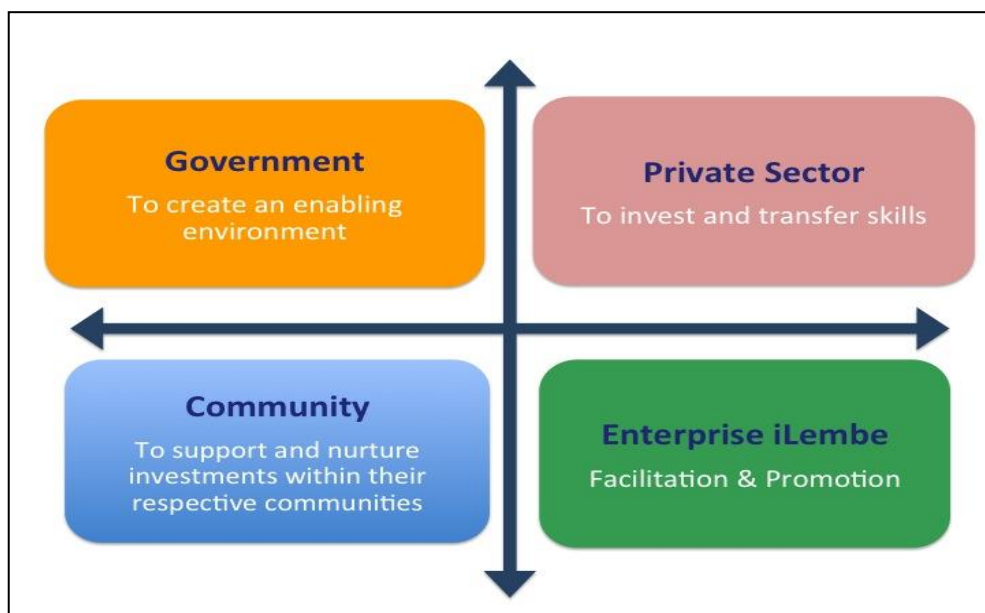
Market and Promote the iLembe District as an Investment, Tourism & Business Destination

#### Strategic Objective 6:

Research other potential growth sectors in addition to the current four sectors of main focus.

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#### 1.5.4. Roles and Responsibilities



It is the role of Enterprise iLembe to facilitate and promote socio economic development in the region.

The role of Enterprise iLembe can be further defined as follows;

- Nurture new ideas which have commercial potential AND have high impact potential in regards to poverty alleviation, jobs and empowerment
- Build partnerships between public sector, support institutions, private sector and the community
- Build partnerships within each locality and support one another in service delivery
- Collectively bridge the gap between 1<sup>st</sup> & 2<sup>nd</sup> economies through catalytic & high-impact project.



## 1.6. Audit Committee Report

The Enterprise iLembe Audit Committee presents its report to the Board for the year ended 30 June 2014, below.

The legal responsibilities of the Audit Committee are set out in terms of the Municipal Finance Management Act, No. 56 of 2003 (Section 166) and the Companies Act, No. 71 of 2008 (Section 94).

### Audit Committee members and attendance at meetings

The Audit Committee comprised of 4 independent, external members and is required to meet at least 4 times per annum as per the Audit Committee Charter. Additional meetings may be called for as the need arises. Members' attendance at the meetings is listed below:

Name	No of Meetings Attended	22 Aug 2013	07 Nov 2013	22 Jan 2014	30 Jan 2014	24 Jun 2014
Mrs. C Jugnarayan (Chairperson)	5	✓	✓	✓	✓	✓
Mr. D Bosch (Deputy Chairperson)	5	✓	✓	✓	✓	✓
Mr. J Muir	5	✓	✓	✓	✓	✓
Mr. S Nel	4	✓	✓	✓		✓

The Mayor of the Municipality, the Chairperson of the Board and the Chairperson of the Municipal Public Accounts Committee (MPAC) are invited to the Audit Committee meetings.

### Audit Committee responsibility

The Audit Committee has been set up in accordance with the Municipal Finance Management Act, No. 56 of 2003 (Section 166) and operates within the terms of the Audit Committee Charter approved by the Council of the iLembe District Municipality and the Board of Enterprise iLembe.

Section 121(4) (g) of the Municipal Finance Management Act, No. 56 of 2003 requires that the annual report must include any recommendations of the Municipality's Audit Committee.

**In the conduct of its duties, the Audit Committee has performed the following statutory duties:**

#### 1. Reviewed internal financial control and internal audits

The internal audit function was operational for the financial year.



KPMG continued as internal auditors to the entity performing all internal audit duties other than the audit of performance management. The latter is conducted by the internal audit unit of the iLembe District Municipality.

The internal audit plan for the financial year ending 30 June 2014 was presented and accepted by the Audit Committee. The Audit Committee at each meeting assesses performance against the plan and reviews the plan to ensure that critical risks of the operations of the Entity and the findings of the Auditor-General are addressed.

The Committee reviewed the changes to the internal audit charter and accepted the revised charter.

Six internal audit reports were completed and tabled at the Audit Committee meetings, in terms of the approved internal audit plan. Internal audit reports include recommendations to improve internal controls together with agreed management action plans to resolve the issues reported on.

To further enhance the processes in place, internal audit conducted 3 follow up audits on previously reported internal audit findings and reported progress to senior management and the Audit Committee.

Management is required to implement appropriate systems of internal controls and corrective action to address the identified weaknesses and possible irregularities. Although there are controls in place, the existing systems and procedures require enhancement and continued monitoring.

Currently the report on the 2013/2014 annual financial statement review is being finalised.

## **2. Risk Management**

The Entity conducted a risk assessment workshop on 10 April 2014 and the top key risks were identified, measured and prioritised. The Risk Management Committee, at its meeting held on 1 July 2014, discussed and approved the risk register. The updated register was tabled at the meeting of the Board of Directors held on 5 August 2014.

The internal auditors have drafted the internal audit plan for 2014/2015 using the revised risk register.

## **3. Review of financial statements and Accounting Policies.**

The Audit Committee, during its review of the financial statements of the entity for the year ended 30 June 2014, considered the appropriateness, adoption and consistent application of the South African Statement of Generally Recognised Accounting Practices (GRAP). The Audit Committee at its meeting held on 26 August 2014, discussed, provided comments and recommendations to enhance the quality of the annual financial statements.

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The Audit Committee is satisfied that overall the financial statements of the entity for the year ended 30 June 2014 comply with relevant provisions of the Municipal Finance Management Act and GRAP and the Companies Act and, considering our inputs and recommendations, has recommended the annual financial statements for submission to the Auditor-General.

#### ***4. The adequacy, reliability and accuracy of financial reporting and information***

No information furnished by Internal Audit, the Auditor-General and Management itself, which has caused the Audit Committee to believe that the Entity's system of internal financial control is not effective and does not form a basis for the preparation of reliable financial statements.

#### ***5. Performance Management***

The Audit Committee also serves as the performance Audit Committee for Enterprise iLembe.

The Audit Committee reviewed the four quarterly performance reports and the internal audit reports on performance management for 2013/2014 based on the Entity's scorecard.

The Audit Committee is pleased to note that the overall internal audit ratings of the effectiveness of internal controls around performance management is satisfactory and controls are in place to provide management with reasonable assurance that risks will not materialize but there is a room for improvement.

#### ***6. Effective Governance***

The Audit Committee has satisfied itself that the external auditor was independent of the Entity, as required by the Public Audit Act, No. 25 of 2004 and as set out in section 94(8) of the Companies Act, 2008.

The Audit Committee fulfils an oversight role regarding the Entity's reporting process, including the system of internal financial control. It is responsible for ensuring that the Entity's internal audit function is independent and has the necessary resources, standing and authority within the Entity to enable it to discharge its duties. Furthermore, the Audit Committee oversees cooperation between the internal and external auditors, and serves as a link between The Board and these functions.

The internal and external auditors have unlimited direct access to the Audit Committee, primarily through its chairperson.

The Audit Committee expresses concern that the appointment of the Chief Executive Officer and new Directors to the Board of the Entity by the parent Municipality has not yet been finalised. The delay in the appointment of these key positions is hampering the effective leadership of the organisation.

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## **7. Compliance with Legislation and Ethics**

The Audit Committee has noted instances of non-compliance with policies and procedures, the Municipal Finance Management Act and National Treasury Regulations.

The areas of non-compliance have been noted, mainly through the reports submitted by internal audit. The non-compliance and recommendations to management have been documented in the internal audit reports. In these internal audit reports, management have provided comments on the findings, recommendations and timing of the action thereof.

### **Recommendations**

- The Board and management should ensure that sustainability plans are in place, monitored and adequate steps are taken to ensure that the entity has neither the intention nor the need to liquidate or curtail materially the scale of its operations;
- The Chairperson of the Board of Directors should actively engage the Mayor and Council of the parent Municipality with a view to the finalisation of the appointment process of the Chief Executive Officer and new Board members.
- The Board and management need to continuously monitor internal controls over SCM processes;
- Management should ensure that accurate, reliable and complete financial and performance information is submitted quarterly for review by the Committee; and
- Management should interact with the external auditors for interim audits with a view to identify and address shortcomings timely.

### **Conclusion**

The Audit Committee is pleased to report that management & the Board of Directors have considered and implemented its previous recommendations.

The Audit Committee is of the opinion that in addition to the recommendations to the Board, management is required to implement appropriate systems of internal controls and/or corrective action to address the agreed concerns as identified by both Internal Audit, the Auditor General and Senior Management. The status of implementation of corrective measures is to be reported at every meeting of the Audit Committee to enable monitoring.

The Audit Committee is pleased to report that the Entity has received a Clean Audit report. The Audit Committee concurs and accepts the conclusion of the Auditor-General on the annual financial

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statements and hence the Audit Committee is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.

The Audit Committee takes this opportunity to congratulate the Board and Management on their countless efforts and commitments in obtaining a Clean Audit report from the Auditor-General and would like to express gratitude for their support and fruitful discussions with the Committee.

On behalf of the Audit Committee

**C. JUGNARAYAN**  
Chairperson

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## Chapter 2

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### Service Delivery & Performance Highlights

#### 2.1. Key Successes & Challenges

The piloting of the Schools Nutrition Programme by Enterprise iLembe was seen as both a challenge and one of the key successes for the Entity as Cabinet has resolved to rollout the programme across the entire province. The project involves the weekly supply of vegetables via approximately 105 service providers to 410 schools (comprising approximately 155 583 students) located in the iLembe District Municipality. Since the inception of the project when approximately 70% of the vegetables were sourced from local farmers, Enterprise iLembe has managed to ensure that this has changed to 100%. There are currently 40 small-scale co-operative farmers benefiting from this initiative. The challenge however is ensuring sustainability as Enterprise iLembe had to initially fund the project without having the necessary budget to do so. This impacted negatively on the Entity's spending and cash flow.

Other challenges include;

- Not being able to attract a Technical Partner for the Biodiesel Plant in Mandeni
- The Technical Partner for the Hydroponic Tunnels withdrew from the project
- There was no vineyard harvesting due to the cash-flow situation
- Enterprise iLembe was also not successful in securing funding for new projects in this financial year.

Some of successes include the;

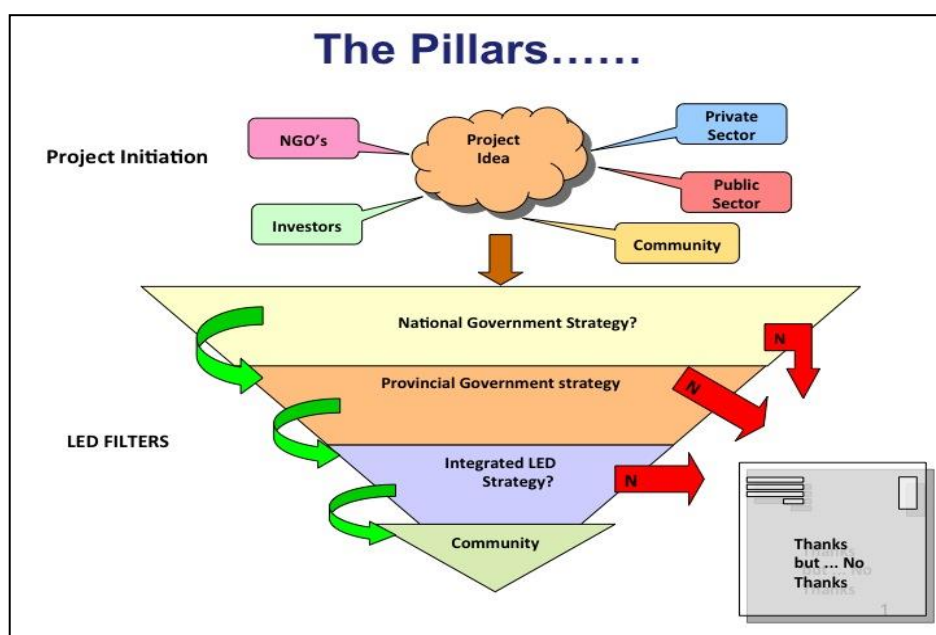
- The iLembe Co-operative Winery celebrated its first production with a very successful opening of the winery by the MEC for Co-operative Governance and Traditional Affairs;
- The winery project won the KwaZulu-Natal provincial prize for the Best Community Project.
- Challenging as it may, the implementation of the NSNP was hailed as the most effective weapon to fight poverty in the country by the Premier of KZN and his Cabinet. The other 10 districts in the Province were mandated to also adopt the iLembe Initiative.

Overall the iLembe District continues to grow at a rapid pace attracting new business to the region. The partnerships that Enterprise iLembe has forged with various stakeholders in both the public and private sector continues to strengthen.

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## 2.2. Projects Undertaken

### 2.2.1 The Pillars for Project Identification



### 2.2.2. Multi-Year Funded Projects

Project Name	Project Description & Status Quo
iLembe Vineyards and Winery Project	<p><b>Budget Allocation 2013/2014 – R1 138 233</b>  <b>Expenditure as at 30/06/2013 – R1 138 233</b>  <b>Project Funder/s: DCOGTA and IDC</b></p> <p>The iLembe vineyards and winery project is a two phased project which involves the establishment of a primary Villard Blanc crop for further processing in a winery established as a first of its kind in the District. A total of 10.1 hectares of vines have been planted across Mandeni, Maphumulo and Ndwedwe and a winery located at the Colisheen Estate in Mandeni.</p> <p>In the District's first harvest last year 28 tons (15 tons in Nyoni, 7 tons in Maphumulo and 6 tons in Ndwedwe) of</p>

	<p>grapes were gathered from the three vineyards, this produced a total of 8000 liters of dry white wine. Unfortunately, due to funding constraints Enterprise iLembe was unable to harvest this year meaning that there was no processing taking place at the winery. Enterprise iLembe finalized the process of getting the Liquor License for the Sale of alcohol in the winery. This process was finalized in May 2014.</p>
iLembe Open Farms	<p><b><i>Budget Allocation 2013/2014 – R2 106 509</i></b>  <b><i>Expenditure as at 30/06/2014 – R2 106 509</i></b>  <b><i>Project Funder/s: iLembe District Municipality</i></b></p> <p>The project entails establishing and supporting community-based co-operatives to operate viable agricultural farms, which produce vegetables and other cash crops for both the community's needs and for sale to the Department of Education's Service Providers for the National School's Nutrition programme. The District's piloting of the Schools Nutrition programme opened up sustainable and reliable markets for the local small-scale farmers, the farms have been producing vegetables as per the Department of Education's menu plan. Vegetables such as cabbages; butternut; spinach; carrot and green beans are then harvested weekly and supply to the National Schools Nutrition programme.</p> <p>Phase one which was initially implemented last year has seen 40 farms being prepared and producing vegetables for the programme. Every year 40 additional farms will be identified to increase production levels for the Programme. To date 80 farms are producing for the National Schools Nutrition Programme. Subsequently, Ei is working on a three year farmer's assistance programme this programme will see Ei assist new farms for a period of 3 years or until such a time the farmers are self-sustainable. Approximately, 530 participants have benefited from the NSNP.</p>

Project Name	Project Description & Status Quo
<b>iLembe Processing Facility</b>	<p><b>Budget Allocation 2013/2014 – R 2 418 580</b>  <b>Expenditure as at 30/06/2014 – Nil</b>  <b>Project Funder/s – DCOGTA</b></p> <p>The iLembe Processing Facility is established to ultimately link the greenhouses and open fields in the four local municipalities to 2 decentralised processing facilities, these centers are strategically located in the two local municipalities (Maphumulo and Mandeni). The processing facilities are being used as temporary storage, packaging and dispatch points for the National Schools Nutrition Programme.</p>
<b>Review of the LED Strategy</b>	<p><b>Budget Allocation 2013/2014 – R605 135</b>  <b>Expenditure as at 30/06/2014 – R269 953</b>  <b>Project Funder/s – DCOGTA</b></p> <p>Enterprise iLembe has completed the process of reviewing the Local Economic Development Strategy. The projects identified per sector (Renewable Energy, Agriculture, ICT &amp; Service and Manufacturing) are being implemented by means of conducting feasibility studies for new project opportunities.</p>
<b>National Schools Nutrition Programme</b>	<p><b>Budget Allocation 2013/2014 – R6 210 000</b>  <b>Expenditure as at 30/06/2014 – R4 578 132</b>  <b>Project Funder/s: Department of Education</b></p> <p>The National School's Nutrition programme was piloted as a District Project in January 2013. The aim of the Programme is to enable the District's small-scale framers to produce and sell vegetables to be consumed by the learners in the District's 406 schools. At the onset of the project, the Department of Education who are the custodians of the Project appointed Enterprise iLembe as the Implementing Agent with a responsibility to ensure that the vegetables are available on a weekly basis for procurement. Since the inception of the programme this year the District's local farmers have supplied the programme with approximately 200 tons of vegetables,</p>



	<p>this is an average of 10 tons per week.</p> <p>Furthermore, Enterprise iLembe has just signed a Service Level Agreement with the Department of Education for the second year of supply of vegetables. Moreover, this year, Enterprise iLembe has been given the task of supplying and transporting directly from the farms to the Schools without the aid of the Department's Service Providers.</p>
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## 2.3. Capital Used

**2.3.1 Below is a summary of the operating income and expenditure compared with budget for the 2013/2014 financial year.**

REVENUE	Actual 2014 R	Budget 2014 R	Variance Actual/Budget %
Opening Surplus	22 160 658	-	-
Operating income for the year	24 698 159	30 928 117	(20)
Sundry transfers		-	-
<b>Total</b>	<b>46 858 817</b>	30 928 117	
<b>EXPENDITURE</b>			
Operating expenditure for the year	22 967 044	<b>30 928 117</b>	(26)
Closing surplus	23 615 193	-	-
<b>Total</b>	<b>46 583 967</b>	<b>30 928 117</b>	

The under expenditure when compared with budget is due to the fact that the Department of Education, National Schools Nutrition Programme is under spent by R4.4 million and projects are under spent by R6.3 million.

**2.3.2 In the 2013/2014 financial year R5.8 million was spent on projects. Details set out below.**

R' 000					
Capital Projects	2013/14				
	Budget	Adjustment Budget	Actual Expenditure	Variance from budget	Total Project Value
Open Fields	2 107	2 107	2 107	0%	2 107 000
IDC – Renewable Energy	230	230	230	-100%	1 000 000
Vineyards & Winery	538	1 904	1 904	0%	18 000 000
Growth Summit	400	400	251	-100%	400 000
Tourism	1204	1204	978	-19%	1 204 000
Agri Processing Facilities	2 419	2 419	125	-100%	7 400 000
LED Strategy	605	605	270	-55%	1000 000
<b>TOTAL</b>	<b>7 503</b>	<b>8 869</b>	<b>5 865</b>		

## 2.4. Job Creation & Skills Development

### 2.4.1 Unemployment Rate

The working age population represents 55% of the total population of iLembe (339,296 people). 53% of the working age population is not economically active and therefore the labour force in iLembe is 160,362 people. 71% of the labour force is employed (114,009 people) and 29% are unemployed (46,353 people). 75% of those employed are employed in the formal sector. 13% are highly skilled, 31% are skilled and 35% are semi and unskilled. The District's income profile is notably low, with more than three quarters of the District earning R1600 or less every month.

EMPLOYMENT AND UNEMPLOYMENT					
	ILEMBE 2008	ILEMBE 2011	ILEMBE 2013	PERCENTAGE CHANGE SINCE 2008	
				ILEMBE	KZN
Employed - Formal and informal - Total (Number)	105,049	114,842	114,009	9%	13%
Unemployed (Number)	57,790	50,628	46,353	-20%	-19%
Not economically active (Number)	173,332	176,565	178,934	3%	5%
SKILLS					
	ILEMBE 2008	ILEMBE 2011	ILEMBE 2013	PERCENTAGE CHANGE SINCE 2008	
				ILEMBE	KZN
Formally employed as % of total employment	80%	77%	75%	-5%	-5%
Highly skilled as % of total employment	11%	12%	13%	2%	1%
Skilled as % of total employment	29%	30%	31%	2%	-1%
Semi- and unskilled as % of total employment	41%	35%	32%	-9%	-7%
Informally employed as % of total employment	20%	23%	25%	6%	4%
INCOME					
	ILEMBE 2008	ILEMBE 2011	ILEMBE 2013	PERCENTAGE CHANGE SINCE 2008	
				ILEMBE	KZN
No_Income	47%	40%	35%	-11%	-11%
< R400	20%	24%	26%	6%	4%
R400 - R800	6%	4%	3%	-3%	-2%
R800 - R1600	15%	14%	13%	-2%	-1%
R1600 - R3200	4%	5%	6%	2%	1%
R3200 - R6400	2%	2%	2%	0%	0.2%
R6400 - R12800	1%	2%	2%	1%	1%
R12800 - R25600	0.5%	1%	2%	2%	2%
R25600 - R51200	0.3%	1%	1%	1%	1%
R51200 - R102400	0.1%	0.1%	0.2%	0.1%	0.1%
R102400 - R204800	0.0%	0.1%	0.1%	0.0%	0.0%
> R204800	0.1%	0.0%	0.0%	0.0%	0.0%
Income Unspecified	3%	6%	9%	6%	5%
Income NA	0.4%	0.4%	0.3%	-0.1%	0.1%
EMPLOYMENT BY INDUSTRY					
	ILEMBE 2008	ILEMBE 2011	ILEMBE 2013	PERCENTAGE CHANGE SINCE 2008	
				ILEMBE	KZN
<b>PRIMARY SECTOR</b>	<b>16.2%</b>	<b>10.8%</b>	<b>8.8%</b>	<b>-51%</b>	<b>-47%</b>
Agriculture, forestry and fishing	15.7%	10.2%	8.2%	-54%	-52%
Mining and quarrying	0.4%	0.6%	0.8%	65%	50%
<b>SECONDARY SECTOR</b>	<b>23.9%</b>	<b>22.9%</b>	<b>22.5%</b>	<b>-16%</b>	<b>-11%</b>
Manufacturing	17.7%	16.5%	15.9%	-19%	-15%
Electricity, gas and water	0.1%	0.1%	0.1%	-29%	-17%
Construction	6.0%	6.3%	6.5%	-4%	0%
<b>TERTIARY SECTOR</b>	<b>60.0%</b>	<b>66.3%</b>	<b>72.0%</b>	<b>8%</b>	<b>5%</b>
Wholesale and retail trade, catering and accommodation	19.8%	21.5%	23.2%	5%	-1%
Transport, storage and communication	2.9%	3.2%	3.3%	3%	10%
Finance, insurance, real estate and business services	12.4%	13.3%	14.8%	7%	-2%
Community, social and personal services	15.9%	16.7%	17.6%	-0.3%	0.4%
General government	9.1%	11.7%	13.2%	30%	25%

In general, the employment profile of the District is changing, such that the tertiary sector accounts for almost three quarters of all jobs created and employs 8% more people in 2013 than in 2008. This growth has come at the expense of the primary and secondary sectors, which employ 51% and 16% fewer people in 2013 than they did in 2008. Tertiary sector employment is attributed to employment increases in wholesale, retail, catering and accommodation, general government, and business

services. In the primary sector the downsizing of agricultural activity in iLembe has been responsible for the majority of job loss. In the secondary sector the most stark job loss trend is noted in the textiles, clothing and leather goods industries, whose dip has been the result of a national textiles industry job downsizing trend because of competition from cheaper imports. Furniture and other manufacturing, metals and other metal products, as well as food and beverages have also seen notable job losses.

#### 2.4.2 Enterprise iLembe Projects – Jobs Created and Retained

PROJECT NAME	2011/2012	2012/2013
iLembe Agri-Hubs	159	57
iLembe Vineyards	60	49
iLembe Open Fields	529	661
Processing Facility	0	5 Permanent 16 semi-permanent
<b>TOTAL</b>	<b>748</b>	<b>788</b>

#### 2.4.3 Number of new Co-operatives Registered by Enterprise iLembe

NAME OF CO-OPERATIVE	REGISTRATION DATE	NUMBER OF JOBS
Vukukhanye Sewing Primary Co-operative Limited	14/03/2014	10
Thuthukani Wetane Project Primary Co-operative Limited	27/02/2014	13
Happy co-operative Limited	18/02/2014	6
Sivilizandla Agricultural Co-operative Limited	13/01/2014	9
Enqikini Agricultural Co-operative Limited	08/01/2014	6
Dlokovu4 Primary Co-op Limited	05/11/2014	7
Nodunga2 Projects Co-operative Limited	23/10/2013	7
Mandeni Motors Spares Primary Co-operative Limited	20/09/2013	8
Ndimba Primary Co-operative Limited	21/08/2013	5
Masibonge Co-operative Limited	25/07/2013	15
Umaqondana Primary Co-operative Limited	11/06/2014	6
N and P Home Industry Co-operative Limited	19/03/2014	8
Lubanzolwakhe Farming Co-operative Limited	23/01/2014	6
Sgodini Multi-purpose Primary Co-operative Limited	07/11/2013	5
Abakholwayo Abesweli Co-operative Limited	04/07/2013	5
<b>TOTAL</b>		<b>116</b>

## 2.5. Performance Management

The Entity utilizes the Service Delivery Budget implementation Plan (SDBIP) as a performance management tool for the Entity as an organization. Reporting on this tool is done on a monthly and quarterly basis to the shareholder, iLembe District Municipality and includes Portfolio of Evidence. The Performance Management Unit and Internal Auditors conduct a review of the report; this was then followed with coaching sessions held with the Acting Chief Executive Officer of the Entity.

In respect of individual staff members, the Job Descriptions of employees have been reviewed to be in line with the actual tasks and duties being performed by each person. Review sessions are held with each staff member by the respective manager and signed off by the Acting Chief Executive Officer.

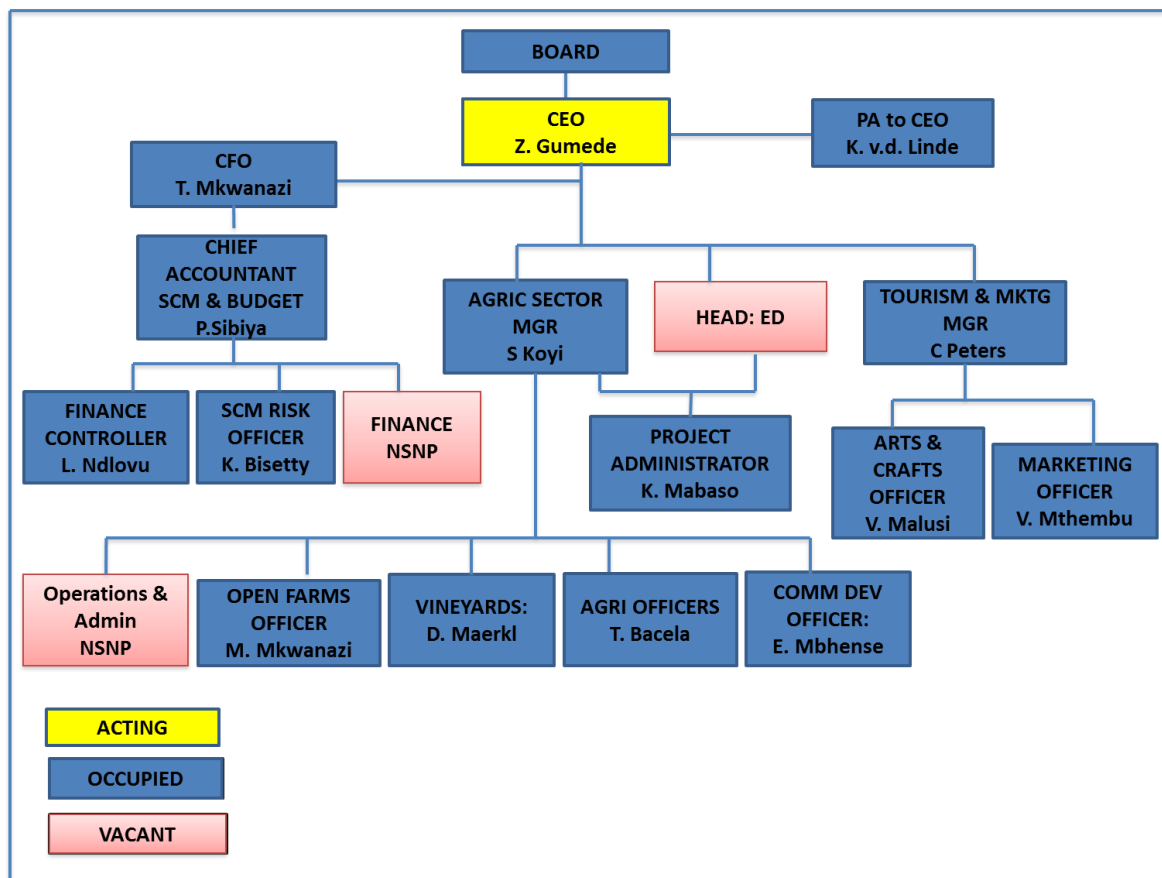
Enterprise iLembe was allocated a budget of R30.9 million of which R18.0 million was for operational costs and R12.9 million was for projects. Of the total budget allocation, a total of R22.1 million was spent of which R15.6 million was spent on operational costs and R7.7 million on projects. The majority of the grant funding allocated to Enterprise iLembe was spent and R8.1 million remained unspent as at 30 June 2014.

## Chapter 3

### Human Resources & Organisational Management

#### 3.1. Organisational Structure

3.1.1. The Organogram for the Entity was revised and approved by the Board in December 2013.



**The following new appointments were made in the 2013/2014 financial year:**

Mr. Thami Mkhwanazi- Chief Financial Officer  
 Ms. Lindiwe Ndlovu - Finance Controller

**The following resignations were received in the 2013/2014 financial year:**

Mr. Mike Newton - Head: Economic Development

The vacancies for Head: Economic Development, NSNP: Finance and NSNP: Operations & Administration were advertised in May 2014 and will be filled early in the next financial year.

### 3.2. Institutional Transformation & Employment Equity

In compliance with the Employment Equity Act, 55/1998, the Enterprise iLembe's Employment Equity Plan has been crafted with the aim to remedy any form of discrimination in the workplace by removing all barriers in the employment policies, practices.

Affirmative Action has been defined as the tool to implement immediate positive remedial action. Programs and procedures to address both historic and existing inequalities and imbalances of the past are being implemented.

The Entity acknowledges the value of retaining staff especially employees with scarce skills and those who possess experience that is required for the Entity to fulfill its objectives. The Entity recognises that in order for it to be able to retain staff, it is very important to create an environment that encourages staff not only to succeed in their jobs but also to grow and achieve their personal development goals and aspirations.

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## Chapter 4

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### Audited Statements & Related Information

#### 4.1. Financial Statements & Related Information

Attached hereto as **Annexure A**

#### 4.2. Report of the Auditor General

**REPORT OF THE AUDITOR-GENERAL TO KWAZULU-NATAL PROVINCIAL LEGISLATURE AND COUNCIL ON ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
REPORT ON THE FINANCIAL STATEMENTS**

##### Introduction

1. I have audited the financial statements of the iLembe Management Development Enterprise (Pty) Ltd set out on the pages x to x, which comprise the statement of financial position as at 30 June 2014, the statement of financial performance, statement of changes in net assets, the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

##### Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for preparation and fair presentation of the financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the local Government Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

##### Auditor-general's responsibility

3. My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standard on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit
-



to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipal entity's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the municipal entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements,
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the iLembe Management Development Enterprise (Pty) Ltd as at 30 June 2014 and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the MFMA and Companies Act.

### **Emphasis of matters**

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

### **Significant uncertainty**

8. With the reference to note 26 to the financial statements, the iLembe Management Development Enterprise (Pty) Ltd made representations with regard to a possible payment of output value-added tax (VAT) on grants received from its parent municipality. There has been no ruling on this matter to date. If the ruling is against the municipal entity, a VAT output of R12,29 million will be payable. No provision for any liability that may result has made in the financial statements.
-

**Material under spending of the capital budget**

9. As disclosed in the statement of comparison of budget and actual amounts, the municipal entity has materially underspent the budget on capital expenditure to the amount of R9. 46 million. This has resulted in the entity not receiving all of its planned service delivery targets for the year.

**Additional matters**

10. I draw attention to the matters below. My opinion is not modified in respect of these matters.

**Other reports required by the companies Act**

11. As part of my audit of the financial statements for the year ended 30 June 2014, I have read the director's report and audit committee to report for the purpose of identifying whether there are material inconsistencies between these reports and audited financial statements. These reports are the responsibility of the respective preparers. I have not audited these reports and accordingly do not express an opinion thereon.

**Unaudited disclosure notes**

12. In terms of section 125 (2) (e) of the MFMA the entity is required to disclosure particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

13. In accordance with PAA and the general notice issued in terms thereof, I report the following findings on reported performance against predetermined objectives in the annual performance report, compliance with legislation as well internal control. The objective of my test was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters

**Predetermined objectives**

14. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the municipal entity for the year ended 30 June 2014:
-

15. Objective: local economic development (LED)-socio economic services, page x to x
16. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
17. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bond and relevant, as required by National Treasury's Framework for managing programme performance information.
18. I assessed the reliability of reported performance information to determine whether it was valid, accurate and complete.
19. I did not raise any material findings on usefulness and reliability of the reported performance information for the selected objective.

**Additional matters**

20. Although no material findings concerning the usefulness and reliability of performance information were identified in the annual performance report, I draw attention to the following matter below

**Achievement of planned targets**

21. Refer to the annual performance report on page x to x for information on the achievement of planned targets for the year.

**Compliance with legislation**

22. I performed procedures to obtain evidence that the entity had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key applicable legislation as set out in general notice issued in terms of the PAA.
-

**Internal control**

23. I considered internal control relevant to my audit of financial statements, annual performance report and compliance legislation. I did not identify any deficiencies in internal control, which I considered sufficiently significant for inclusion in this report.

*Auditor-General*

Pietermaritzburg

28 November 2014



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



### 4.3. Chief Financial Officers Report

#### Introduction

The financial year ended 30 June 2014 has again been a successful year for the iLembe Management Development Enterprise (Pty) Ltd, trading as Enterprise iLembe. The entity achieved a clean audit opinion from the Auditor General's audit report.

#### Operating Results

Details of the operating results are included in the financial statements included in this Annual Report.

A summary of the results is as follows:

<b>REVENUE</b>	<b>Actual 2014 R</b>	<b>Budget 2014 R</b>	<b>Variance Actual as a % of Budget</b>
Opening Surplus	22 160 558	-	-
Operating income for the year	24 698 159	30 928 117	(79.9)
<b>Total</b>	<b>46 848 717</b>	<b>30 928 117</b>	
<b>EXPENDITURE</b>			
Operating expenditure for the year	22 975 159	30 928 117	(74.3)
Closing surplus	23 607 078	-	-
<b>Total</b>	<b>46 582 237</b>	<b>30 928 117</b>	

An amount of R5 864 000 was spent on projects during the 2013/14 financial year as per the following:

<b>Project</b>	<b>Spent 2013/14 R(000)</b>
Open Fields	2 106
Vineyards and Winery	1 904
Growth Summit	251
IDC – Renewable Energy	230
Tourism	978
Agri Processing Facility	125
LED Strategy	270
<b>TOTAL</b>	<b>5 864</b>

One of the challenges facing Enterprise iLembe is the timing of the receipt of grants from the Industrial Development Corporation and the Provincial Department of Co-Operative Government and Traditional Affairs. The grants from the Department of Co-Operative Government and Traditional Affairs are paid via the iLembe District Municipality while the Industrial Development Corporation grant is paid directly to Enterprise iLembe.

It has been very difficult for Enterprise iLembe to plan for the expenditure of the grants due to the fact that it was unknown when the grants would be received. This delayed the implementation of the projects as the supply chain management processes were only implemented once the grants had actually been received.

### Conditional Grants

Due to the uncertainty as regards the timing of the receipt of the grants, alluded to above, the following amounts as regards conditional grants were unspent at 30 June 2014:

<b>Grant</b>	<b>Unspent Grant as at 30 June 2014 R(000)</b>
Grant Disaster Management	55
Agri Processing Tunnels – Ndwedwe	275
Grant Amacambini Dev Project Ex DCGTA	758
Grant Integrated Craft Hub	227
Siza water Concession	243
Moringa Tree Plantation	2 400
Tourism King Shaka Route	400
Maphumulo Small Town Rehabilitation	86
Nonoti Beach Resort Business Plan	49
Fresh Produce Market	278
IDC Projects Grant	286
Agri Processing Facility	2 419
Tourism Grant	226
Growth Summit	149
LED Strategy	335
<b>TOTAL</b>	<b>8 186</b>

However the majority of the grant funds allocated to Enterprise iLembe had been spent by 30 June 2014.

**Accumulated Surplus**

The accumulated surplus as at 30 June 2014 was R23 607 178.

**Cash and Cash Equivalents**

As at 30 June 2014 the cash and cash equivalents held by Enterprise iLembe were as follows:

Details	R.
Cash at bank	2 218 439
Current Investments	0
<b>TOTAL</b>	<b>2 218 439</b>

**Expression of Appreciation**

Thanks to the Chairman of the Board, Board Members, Acting Chief Executive Officer and staff for their support and assistance. Special appreciation is also given to the Office of the Auditor-General for their support.

**T. MKHWANAZI**  
**Chief Financial Officer**

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## 4.4. Audit Action Plan

No	Audit Finding	Rating	Unit	Internal Control Deficiency	Action	Assigned To	Date of Action	Action to Date	% Complete
1	Significant uncertainty on VAT payable on grants received from IDM (Possible R12.2 million may be payable if the ruling is against the entity).	H	CFO	Inadequate daily and monthly controls for this process	Request a tax directive and an audit of the grants from SARS.	CFO	30-Jun-15	Audit done by SARS awaiting feedback.	50%
2	Financial Sustainability of the entity - Unspent grants are not cash backed.	H	CFO	Inadequate daily and monthly controls for this process	A report on the reasons for the unspent grants to not be cash backed will be tabled to the Board and IDM. All new grants to be invested in separate call accounts. Management to have discussions with CoGTA on reallocation of funds.	CFO	30-Jun-15	Meeting to be held with CoGTA before the end of January 2015.	30%
3	Senior positions filled on an acting basis. The CEO's position filled on an acting basis.	M	CEO / CFO	The board did not fill positions within a reasonable period of time.	Positions to be advertised and filled before 30 June 2015.	CEO	30-Jun-15	The CEO position was advertised the process is with IDM, The CFO position has been filled, interviews were held for the Head LED position and HR processes are taking place at the moment.	67%



4	No progress on transfer of assets	M	CFO	The board has not ensured that the shareholders agreement is entered into within reasonable time in order to increase benefits and reduce losses/ expenditure to the entity	Ownership models and registration of co-ops to be fast tracked so that assets can be transferred to the beneficiaries. Public facilitation to be held to propose on the ownership structure.	CEO	On going	A project steering committee has been set up to resolve and decide on the ownership and sustainability model the committee is represented by Economic Development Portfolio Committee Members, Tribal Authority, Ward Councillors and local municipal representatives. Meeting of the project steering committee to be held before 31 January 2015.	50%
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## Chapter 5

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# Functional Service Delivery Reporting

### 5.1. Service Level Agreement

Enterprise iLembe has a Service Level Agreement with iLembe District Municipality. The SLA guides the mandate of the Entity and sets out the function and services to be delivered as follows,

1. Project Management Unit: Using the Project Management Unit for developing and implementing detailed service delivery plans within the framework of the municipality's IDP;
2. Promotion of Social and Economic Development: To promote integrated and equitable social and economic development within the district as a whole by taking appropriate steps to enhance such development;
3. Tourism: Promotion of local tourism for the area of the district municipality;
4. Markets: The establishment, conduct and control of fresh produce markets serving the area of a major portion of the municipalities in the district;
5. Abattoirs: The establishment, conduct and control of abattoirs serving the area of a major portion of the municipalities in the district;
6. Airports: Municipal airports serving the area of the district municipality as a whole
7. Incidental Powers: The right to exercise any power concerning a matter reasonably necessary or incidental to the effective performance of the functions, the exercise of the power and the provision of the services in the paragraph 1 to 7 above.

The following items are not the core function of the Agency:

- Project Management Unit
- Social development
- Markets
- Abattoirs

The SLA needs to be revised to more accurately reflect the mandate and functions of the Agency, as many of the above activities are not deemed the responsibility of the Agency. This will be discussed with the Shareholder and reviewed in 2014/2015.

### Reporting

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The Chief Executive Officer as the Accounting Officer has been mandated by the Board of Enterprise iLembe to report on these functions to iLembe District Municipality. In addition to the various structures regular meetings are held between the Board of Enterprise iLembe and principals of the District. The Acting CEO reports into the following structures;

- iLembe District Management Committee Meetings (MANCO)
- Economic Development Portfolio Committee
- Inter-governmental Forums

The Shareholder iLembe District Municipality also has ex-officio representation on the Board of Enterprise iLembe; these being one official and the chairperson of the Economic Development Planning Portfolio Committee.

## *Chapter 6*

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### Annual Performance Management Reporting

#### 6.1. Organisational Scorecard - Service Delivery Budget Implementation Plan (SDBIP)

The 2013/2014 Service Delivery Budget Implementation Plan (SDBIP) is attached hereto as **Annexure B**

#### 6.2. Conclusion

As an organisation that has been in existence for a few years, we are proud of the achievements in building an Agency with an enviable profile and plausible delivery track record.

As an Entity we are always under enormous pressure to deliver and to create practical and efficient mechanisms to improve our LED projects implementation, and to generate new LED projects and we will continue to strive to not only meet but exceed the mandate from our Shareholder, iLembe District Municipality.

Receiving a clean Audit Opinion from the Auditor General is certainly a major achievement for the Entity and this can only be attributed to the commitment, hard work and dedication of the Board, Management and staff.

#### Annexures

A - Financial Statements for the period 2013/2014

B – Service Delivery Budget Implementation Plan (SDBIP) for the period 2013/2014

End...

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**2013/14**

**ANNUAL PERFORMANCE REPORT FOR  
ILEMBE DISTRICT MUNICIPALITY  
JULY 2013 – JUNE 2014**

**VERSION 3 – AUDITED (DRAFT)**

PREPARED BY:

ILEMBE DISTRICT MUNICIPALITY

PMS UNIT

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**ANNEXURES**

**A - ORGANISATIONAL SCORECARD**

**B - MUNICIPAL MANAGER SCORECARD**

**C - TECHNICAL SERVICES - DEPARTMENTAL SDBIP**

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**H - 2014/2015 FINANCIAL YEAR PERFORMANCE TOOLS**

**I – RESOLUTION BY EXCO ADOPTING 2014/2015 TOOLS**

## 1. INTRODUCTION

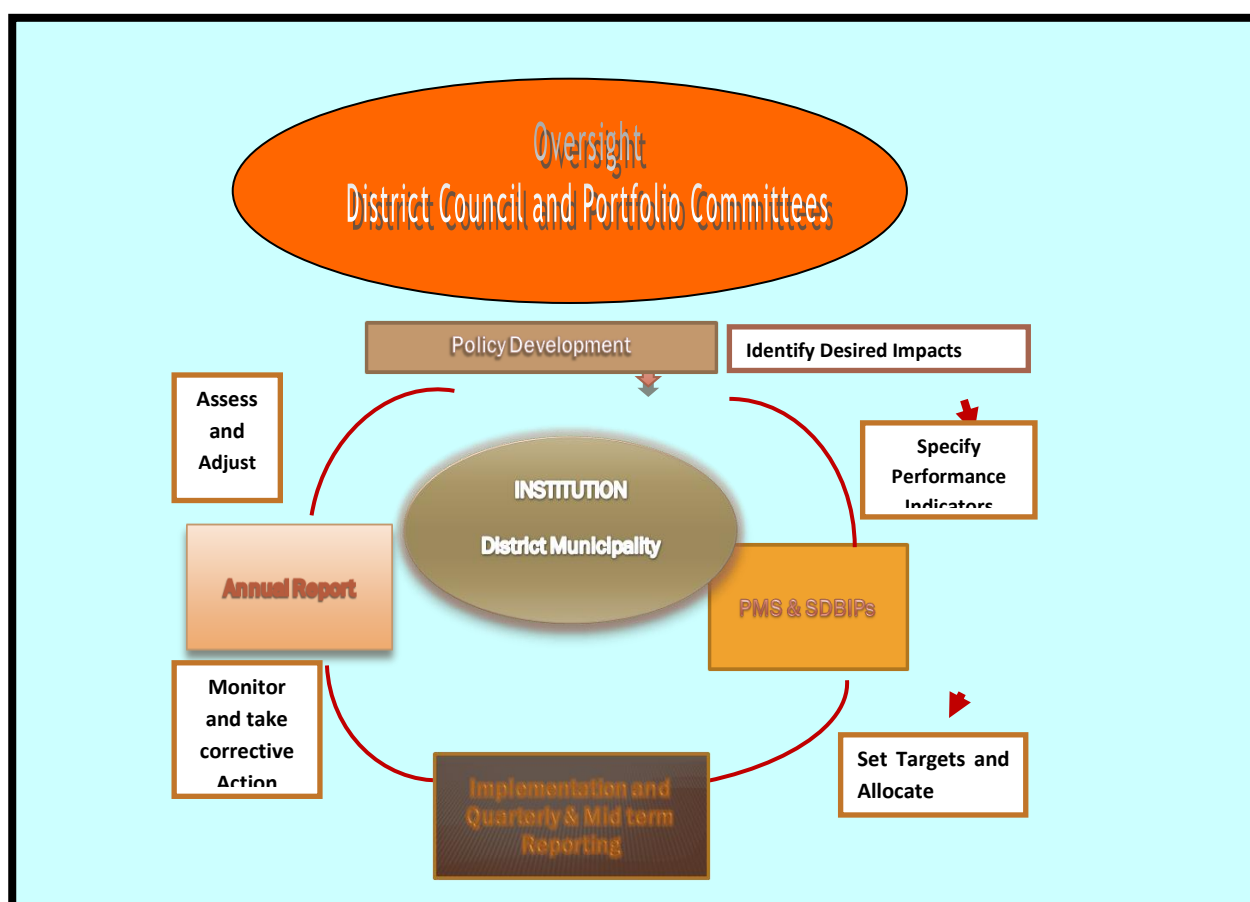
The Municipal Systems Act (MSA) of 2000, Section 38(a) mandates municipalities to establish performance management systems, and the Planning and Performance Management Regulations of 2001, describes the municipality's performance management system as consisting of a framework that articulates and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed as well as to determine the roles of different stakeholders.

The iLembe District Municipality's has reviewed and adopted an Organisational Performance Framework in March 2012. The framework was again reviewed and adopted by Council on the 27 May 2013.

The Municipal Systems Act of 2000, in terms of section 46 (2), requires the municipalities to compile an Annual Performance Report that forms part of the Annual Report prepared in terms of the Municipal Finance Management Act. This Report therefore focuses on the Organisational Objectives, and the achievements thereof made by the iLembe District Municipality in the 2013/14 financial year. It also provides feedback on the targets as set out in the approved Organisational Scorecard as well as the Service Delivery and Budget Implementation Plan used to monitor performance at an operational level.

### 1.1 PERFORMANCE MANAGEMENT IMPLEMENTATION IN ILEMBE DISTRICT MUNICIPALITY

The Model used by the iLembe District municipality in terms of PMS Implementation is depicted in the following diagram



The iLembe District municipality has committed itself to the operation clean administration, so that the municipality receives a clean audit opinion on both financial and performance information. Therefore the municipality continues to strengthen its internal control in the matters of evidence for all the work that is conducted.



The oversight role done at the portfolio committees is improving as all reports are submitted to these committees prior Exco submission so that we do not only monitor progress but monitor it **against targets set** to enable speedy progress on the required areas of responsibility.

The monthly reporting with portfolios of evidence is no longer a challenge as management has committed themselves in ensuring reports are submitted timeously with all supporting evidence which is now also being submitted to MANCO on a monthly basis for discussion and early alerts as to challenges experienced by departments to be proactive before quarterly reports are due.

Although challenges were experienced from time to time in this financial year, in terms of monitoring performance and the responsibility thereof, however management continues to show commitment, and are willing to work with the PMS Unit in this regard and it is improving every year. The Municipal Manager appreciates the effort and hopes the willingness continues for the municipality to realise its commitment to clean administration.

The PMS automated system has not been fully implemented due to challenges experienced in finalising the system during the year, however the plan is underway for the system to be fully implemented and training conducted by January 2015, which will assist in easier verification of reports submitted by the department as well as evidence uploaded, which will increase the strength of credibility, accuracy reliability of our reported performance information.

## **2. NATIONAL KEY PERFORMANCE AREAS**

### ***2.1 National KPA: Basic Service Delivery***

The core function of the municipality is to ensure sustainable provision of water and sanitation services and improve access thereby reducing backlog. The provision of water must be of excellent quality that will meet or exceed the National Standards. Response time to water and sanitation interruptions is crucial for services reinstated therefore specific timeframes have been set that must be adhered and monitored for continuous customer service.

### ***2.2 National KPA: Socio-Economic Development***

The Environmental health Unit continues to ensure that the statutory requirements controlling occupational health and environmental health services are enforced in minimising risks in the workplace and community as well as promoting a safe and healthy living environment.

Disaster Risk Management is complying with the Disaster Management legislation, to ensure there is effective implementation of disaster risk reduction programmes aimed at prevention and mitigation against identified risks. To also ensure rapid and effective responses in assisting vulnerable communities during incidents and disasters.

Enterprise iLembe continues to facilitate and stimulate economic growth in the District, through tourism, marketing and promotions which will assist in promoting business retention, expansion and attract new investment and create job opportunities.

### ***2.3 National KPA: Financial Viability & Management***

Effective and adequate financial Management is a priority as the municipality continues towards working to achieve a clean audit. Budget processes have been complied with to ensure credible budgeting. The SCM policy and regulations are adhered to, to ensure compliance. Asset verification is done quarterly to ensure safeguarding of the Municipality's assets as well as proper management of stores. Monitoring of service providers is being done by all units. Revenue enhancement continues to raise collections rates on billing and to manage credit control and debt management.

#### **2.4 National KPA: Institutional Transformation & Development**

Skills development is implemented in accordance with the workplace skills plan, which assists in improving the capacity for staff to deliver services. A sufficient training budget has been allocated that complies with the Provisions of the Skills Development Act. The Labour relations legislation is considered and referred to when dealing with all conflicts within the municipality. All ICT functions, admin and support functions are conducted to promote an institution that is representative, participative and empowered to improve the institutional capabilities of service delivery. Organisational performance management is continuously implemented to monitor service delivery

#### **2.5 National KPA: Good Governance & Public Participation**

The Operation clean administration continues towards a clean audit opinion. Effective public awareness programmes continue to improve the communication between the communities and the District. Well established systems and processes are in place to facilitate the deepening of democracy through ward committees.

### **3. ORGANISATIONAL SERVICE DELIVERY & BUDGET IMPLEMENTATION PLAN (SDBIP)**

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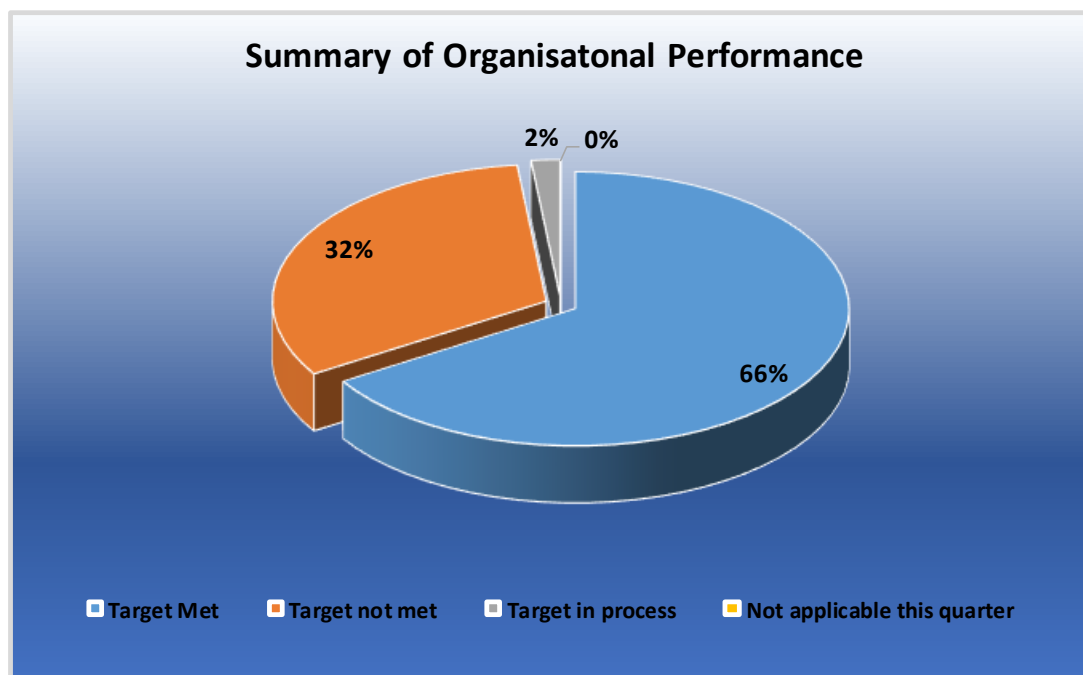
iLembe's Organisational Scorecard continues to be organised according to the five prescribed national Key Performance Areas (KPA's). These are:

- ❖ Basic Service Delivery
- ❖ Socio-Economic Services
- ❖ Institutional Transformation & Development.
- ❖ Financial Viability & Management
- ❖ Good Governance & Public Participation

#### **3.1 OVERALL ORGANISATIONAL SUCCESS RATE**

The iLembe District municipality's overall performance for the **2012/2013 financial year** was target met was **43** out of **71** targets in its organisational scorecard, which is **61% success rate**.

In **2013/2014** iLembe met **66 %** of their target, with an additional **2%** of the targets in progress and met, **32%** of the targets in the organisational scorecard were not met. There were a total of **59** targets in the organisational scorecard of which **39** were met, **1** was in progress and **19** were not met.

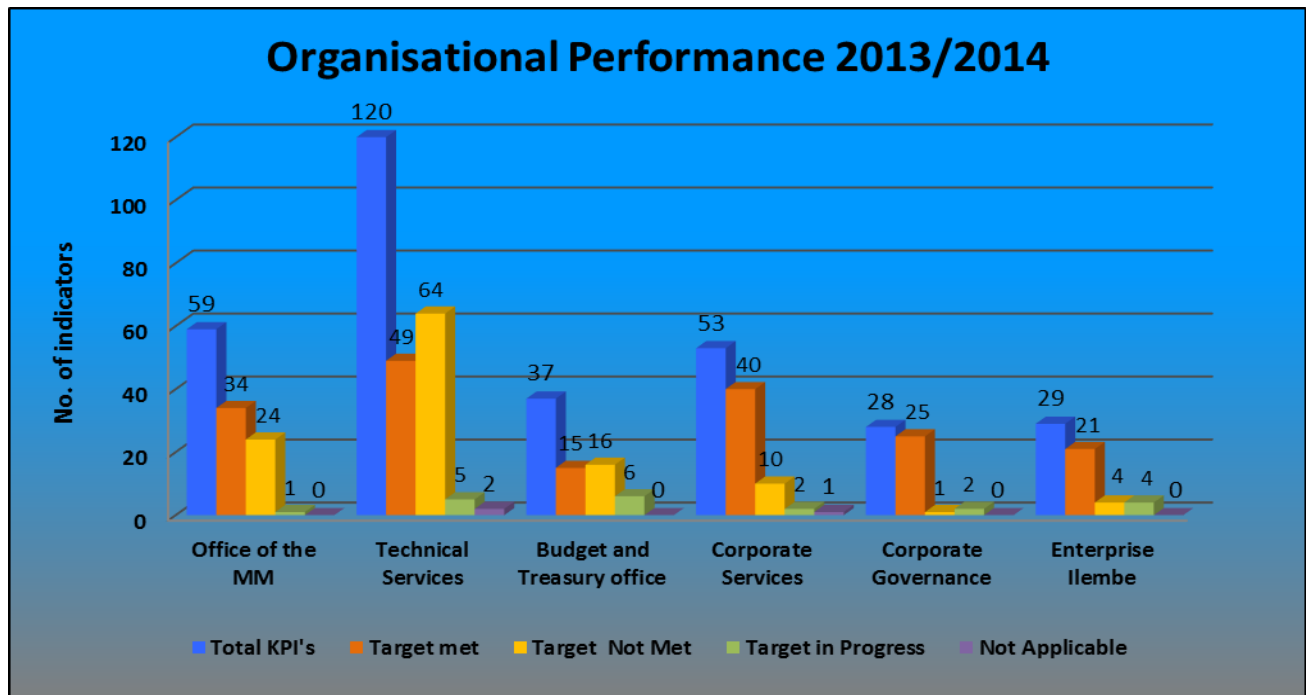


**Weightings on Indicators as per the Organisational Scorecard:**

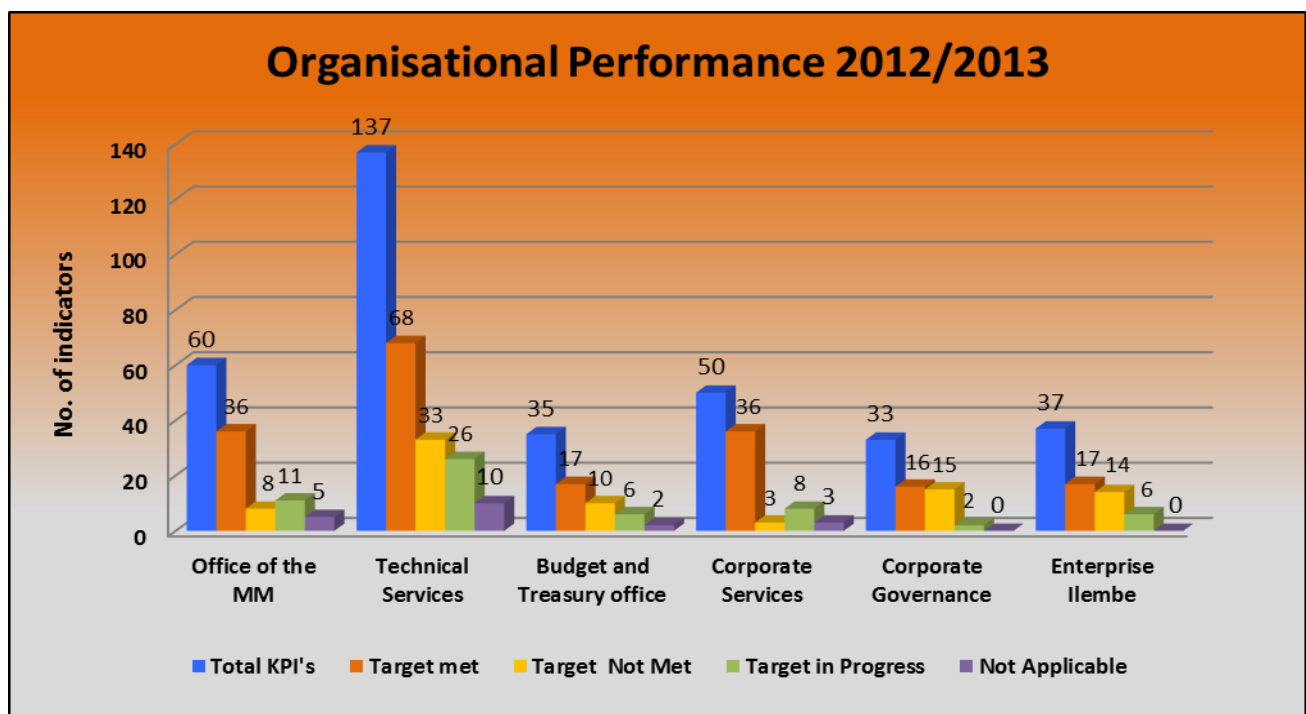
Indicators for all departments	High weight	Medium weight	Low weight	Total
Target met	27	12	0	39
Target in progress	0	1	0	1
Target not met	15	4	0	19
Not Applicable	0	0	0	0
<b>TOTAL</b>				<b>59</b>

The diagram below depicts the performance of the district in relation to the various business units. A more detailed look into each department is outlined in paragraph 2.

**Figure 1: Organisational Performance – 2013/2014**



**Figure 2: Organisational Performance 2012/2013 Financial Year**



Percentage comparisons have been made on the 2012/2013 and 2013/2014 Organisational Performance in terms of target met. Details are as follows:

DEPARTMENT	2012/2013	2013/2014
Office of the MM	60%	58%
Technical Services	50%	41%
Budget and Treasury Office	49%	41%
Corporate Services	72%	75%
Corporate Governance	48%	89%
Enterprise iLembe	46%	72%

#### 4. DEPARTMENTAL RESULTS

##### 4.1. OFFICE OF THE MUNICIPAL MANAGER

###### **PLANNING UNIT**

The Planning Unit commenced with the Annual IDP review as planned which was finalised and approved on the 29 May 2014 as per deadline set out. The public consultations were conducted and have been reported under Corporate Governance department. A total of 9 planning and infrastructure meetings were held for the year which is dependent on developer requests.

###### **PERFORMANCE MANAGEMENT UNIT**

The Annual Performance Report for 2012/2013 was prepared and submitted to the Performance Audit committee, Manco and EXCO for approval. The deadline for submission to the Auditor General on the 30 August 2013 for auditing purposes was also met. The 2014/2015 Financial Year's SDBIP was approved on 24 June 2014 and all legislation was complied with.

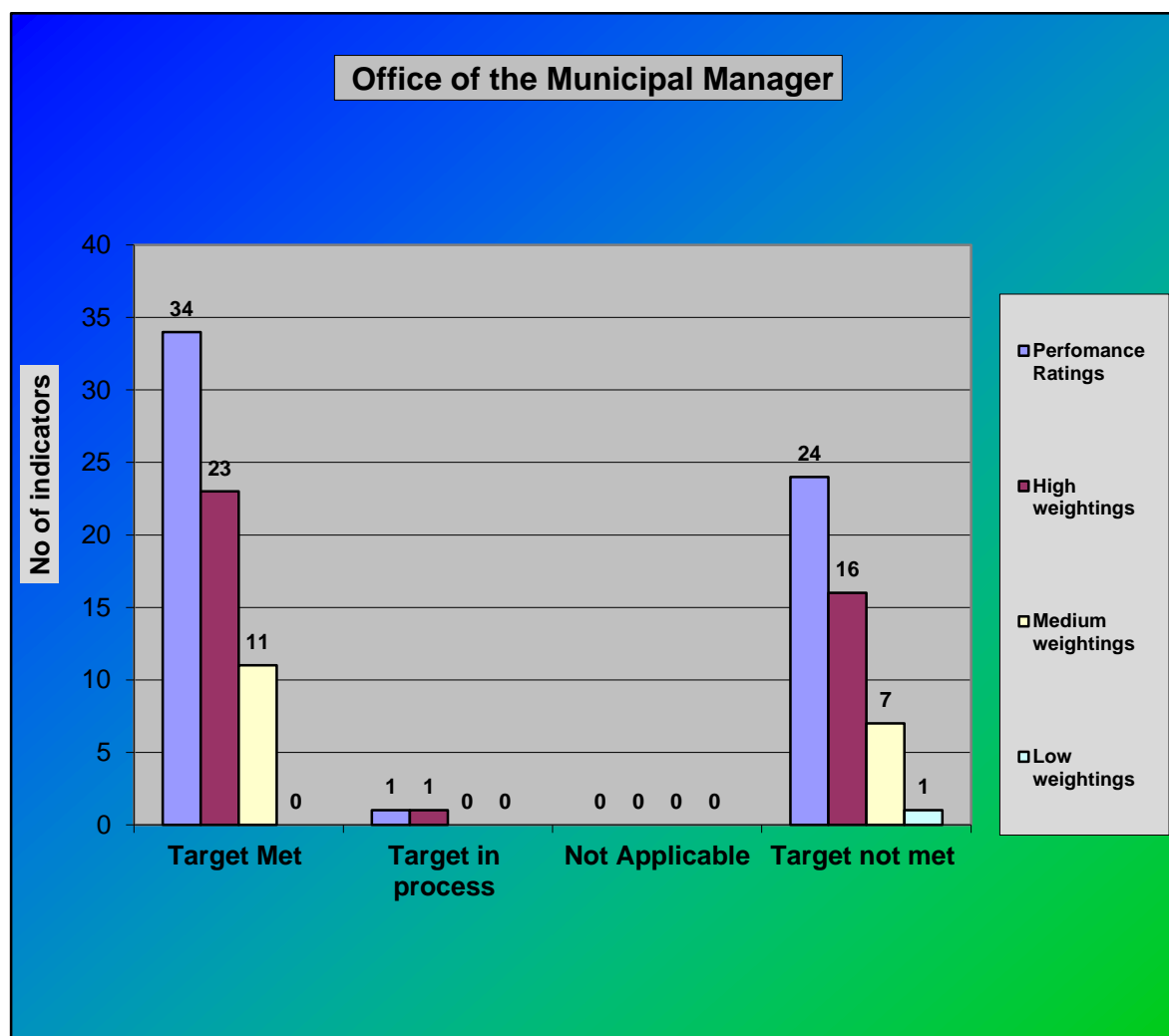
###### **RISK MANAGEMENT UNIT**

The Risk management Unit continues to monitor performance of effective risk management by updating risk management progress reports monthly, however it is reported quarterly to the Risk Committee and Audit Committee. The Risk Management Framework was reviewed and an awareness workshop was held outlining the importance of the function of this unit and the impact on the municipality if not monitored effectively. The Risk assessment process for the 2014/2015 financial year was finalised on the 19<sup>th</sup> May 2014.

###### **INTERNAL AUDIT UNIT**

The Internal unit conducted 22 assignments for the 2013/2014 financial year and final findings reports were submitted to all relevant departments and the audit committee with actions outlined with set timeframes to avoid repeat findings in future reports. The Audit Committee submitted 3 reports to Exco based on the current financial year to ensure effectiveness and improvement with recommendations and suggestions.

**Figure 2: Municipal Manager's scorecard (Refer Annexure B)**



## 4.2 TECHNICAL SERVICES

TOP LEVEL SUMMARY OF 2013/2014 HOUSEHOLD (hh) BENEFICIARIES			
	TOTAL NUMBER TARGETED	ACTUAL NUMBER SERVED	PERCENTAGE ACHIEVEMENT AGAINST TARGET
WATER	3 841	857	22%
SANITATION	3 528	4270	121%

### HIGHLIGHTS ON ACTUAL PERFORMANCE

A total of **seven projects** were designed to deliver new water infrastructure in 2013/2014 financial year, of which three projects were targeted for water connections. **Two** projects with no targets allocated for water connections managed to connect **857** households. There was a further 246 households with upgraded water services for the Siza water project - Shayamoya.

The **2012/2013** total households served with new water access was **2 549**, however the total for the **2013/2014** amounts to **1 103**. This has resulted to a decrease in water backlog by **0.68%**

The **2012/2013** figure for households served with basic sanitation (VIP toilets) access was **4 103**, however the total for the **2013/2014** amounts to **4 270**. Sanitation backlog has decreased by **2.68%**, compared to

target of **2%**. Sanitation projects have exceeded target with an achievement of **121%** and Technical Services team must be complimented on this achievement and encouraged to continue with this kind of commitment and dedication.

Blue drop risk rating of 37.94% was received from Department of Water Affairs (DWA) which means iLembe District is of lower risk. Green drop status overall score of 82.82% was achieved, which denotes good quality. Services reinstated with 24 and 48 hours for water and sanitation queries are responded to timeously. The job opportunities created through the expanded public works programme were 906.

## CHALLENGES

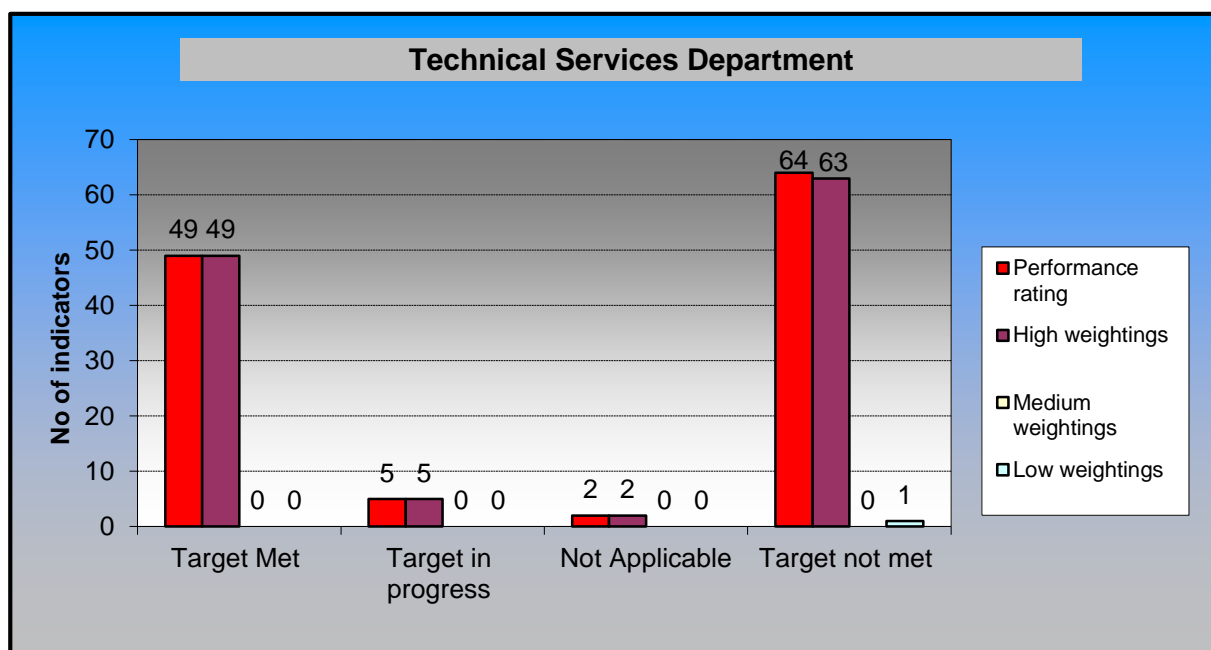
The water projects have 78% of targets not met due to the following reasons;

- Non-availability of water to do pressure testing on pipelines and to test the reservoirs.
- Delays due to hard rock excavation which required blasting with explosives as well as bad weather conditions and community strikes.
- Contractors had cash flow problems which resulted in them not being able to purchase material on time.
- Contractors underquoting the projects which led to cash flow constraints.
- Appointment of incompetent Contractors for projects also impacted on progress.
- Inexperienced personnel on sites and poor management of the projects by the Contractors.
- Delays in awarding of projects caused some projects to commence late.
- Objections on tenders were received and four were handed over to Provincial Treasury.
- Requests to upgrade borehole which was not part of original scope of project
- Project at un-operational state due to a pump that collapsed.
- Line pressure testing failed on numerous occasions

## MEASURES TO IMPROVE PERFORMANCE/CORRECTIVE MEASURE

- The extension of time was granted to afford the Contractors to complete the projects.
- Contractors with cash flow problems had to cede projects.
- Work programmes to fast track the implementation of projects were done.
- The Contractors were committed to work on weekends and employ more staff.

**Figure 3: Technical Services Department performance**



### 4.3 FINANCE DEPARTMENT

#### HIGHLIGHTS ON ACTUAL PERFORMANCE

The municipality obtained an unqualified Auditor-General's report for the 2012/2013 financial year. The implementation and monitoring of Auditor-General's key controls was done through quarterly reporting towards the operation of a clean administration.

#### *The Budget Unit*

The monthly financial reports were prepared in compliance with the year-end action plan. All statutory reports to Treasury have been submitted by deadline dates, and the 2014/2015 budget was approved on the 29<sup>th</sup> of May 2014.

#### *The Expenditure unit*

The percentage of creditors that receives their payment within the 30 days is 88%. Debt coverage ratio is 14:1, which indicates that the municipality is able to service its debt commitments due within the financial year under review.

#### *Revenue Unit*

Revenue collection rate is at 75% for the year 2013/2014 as compared to the previous financial year of 68%. The intelligent meter system project began in October 2013 and high risk debtors are being prioritised. The debt collection strategy was approved in January 2014 and implemented which resulted to the improvement from last year by 7%. The percentage of consumers paying in full against the number of consumers billed is 39%. The percentage of overdue accounts to be restricted that is submitted to the Technical services unit is 95%.

#### *Supply Chain Management Unit*

An annual procurement plan was implemented this year, with an actual of 85.71% implementation as of June 2014. The quotations for amounts of R30000 – R200 000 were averaging at a turnaround time of 10 days against the projected target 10 days and 3 days for the quotations of between R2000 – R29 999 against a target of 5 days. The bids were reported to be averaging at 142 days, this was due to the



objections as well as insufficient budget for fleet tender. Some of the projects were referred back to Bid Evaluation Committee for reconsiderations. The contracts register is being updated on a monthly basis.

### ***Assets and Logistics Unit***

The asset verification is being done quarterly, and the asset register is being updated continuously on a monthly basis. To ensure proper management of the stores department, 11 stock takes were planned to be done but to date 10 stock takes have been conducted as of end June 2014 with a target of 14 days turnaround time to resolve variances.

## **CHALLENGES**

### ***The Budget Unit***

The target of implementation and monitoring of Standard Operating Procedures (SOP's) was not met as 7 out of 9 reports were done. During December 2013 the majority of staff was on leave and April 2014 managers were busy with hard close so no reports were completed. Furthermore there was a shortage of staff in Budget & compliance section. As of June 2014 an underspending variance of -41% was reported for the Finance unit. This is due to austerity measures. However, none of the service delivery priorities were not implemented due austerity measures.

### ***The Expenditure unit***

Delays are still being experienced in getting invoices from user departments after being verified and authorised by heads of departments on time. Cash flow management remains a major challenge. 8 days cash on hand was reported as at end of June 2014, which is not sufficient to sustain the operations of the municipality. The norm is to maintain 30 to 60 days cash on hand with 90 days cash on hand being an ideal position.

### ***Revenue Unit***

There was a delay in the implementation of the intelligent meter project and some of the rand for rand and Acknowledgement of debt customers have defaulted. Most of debtors' accounts were recalled from the poor performing attorneys as part of the debt collection strategy.

### ***Supply Chain Management Unit***

Technical Services had submitted projects on the procurement plan which were not approved by DWA therefore affecting the progress on the plan. Turnaround time to process bids took long (142 days) due to insufficient budget for Fleet tender. Some of the projects were referred back to Bid Evaluation Committee for reconsiderations and others were affected by objections

### ***Assets and Logistics Unit***

In July 2013, Finance was busy with year-end and in December 2013, the majority of staff was on leave as a result no stock take was done.

## **MEASURES TO IMPROVE PERFORMANCE/CORRECTIVE MEASURE**

### ***The Budget Unit***

In 2014/2015 work has been planned to allow compliance with the reporting requirements. All Accountants posts have been filled. To ensure adequate financial management, expenditure management is Council's focus and is on-going.

***The Expenditure unit***

A comprehensive strategy to improve the municipality's cash flow position is in place. This strategy encompasses reinforcing expenditure management and implementation of revenue strategy including the introduction of smart meters. The Budgeting model adopted for the ensuing and outer years places strong emphasis on building cash reserves. Management has also adopted a firm stance in ensuring that a percentage of revenue generated is set aside on a quarterly basis in the form of investment in order to build cash reserves. The process of automating flow of invoices between finance and user departments is at an advance stage of development. The system has already been installed and management is currently testing functionality of the system.

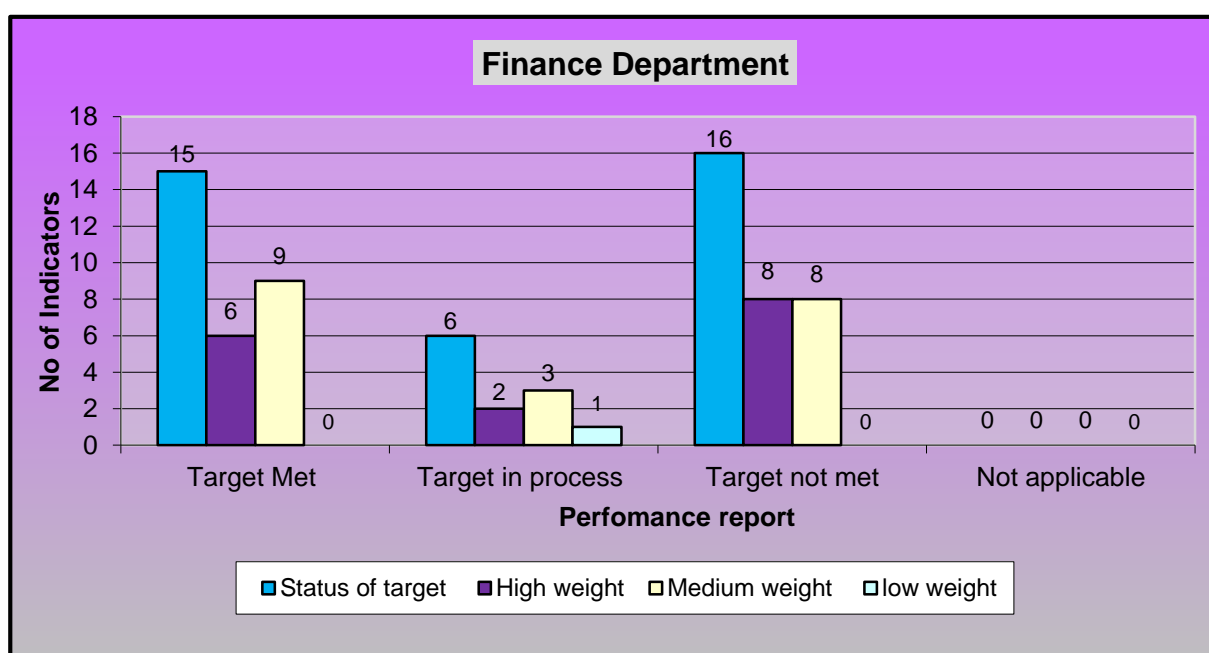
***Revenue Unit***

For revenue enhancement, a new panel of debt collectors will be established in the 2014/2015 financial year.

***Supply Chain Management Unit***

In the 2014/2015, the procurement plan will only include projects that have business plans and approved by Department of Water Affairs. To ensure regular update of the contract register, Supply Chain Management Unit is currently working with Assets and Technical services and in contact with user departments regarding the current progress on sites. Progress has been made on the contract register with regards to the expenditure to date on projects. This information will be updated on a monthly basis once progress reports are received from consultants as they reflect a breakdown on the costs incurred.

**Figure: Finance Department Performance (Refer to Annexure D)**



#### 4.4 CORPORATE SERVICES

##### HIGHLIGHTS ON ACTUAL PERFORMANCE

##### **HUMAN RESOURCE MANAGEMENT**

The HRD and vehicle policy were reviewed, with 77% implementation and monitoring. The percentage of employees trained in accordance with the workplace skills plan is 140% against a target of 80%, with 1.33% of the municipality budget spent. Targets were exceeded by far with 48 employees sent for ABET training, 37 staff undertaking an undergraduate degree/diploma and 25 Councillors enrolled on skills programme. The workplace skills plan and annual training report has been submitted to LGSETA by the targeted deadline. Ninety percent (90%) of critical post were filled on the organogram. The Employee Wellness Unit has conducted 11 awareness programmes against a target of 4.

##### **ICT UNIT**

The Biometric Access Control System has been fully implemented at the Umhlali Offices and Haysom Road, the PABX system to monitor and track telephone usage has also been implemented at Umhlali. The approval of the project plan for the Integrated Call Centre was done and phase 1 has been completed. ICT policies were reviewed, updated and approved before deadline. To monitor traffic on the network it was planned to procure a new networking tool, however the current operating management system was fully implemented to monitor the devices which resulted in a cost saving to the municipality.

##### **LEGAL SERVICES UNIT**

Percentage of legal cases resolved is at 100%, with an average of 6.18 days taken for drawing up and vetting legal documents. 100% of service level agreements are finalised within one month of request.

##### **SUPPORT SERVICES**

Logistics for all Exco, Council and Portfolio committee is at a 100% coordination together with accurate minute taking. The Fleet Management agreement for the leasing of vehicles has been signed as planned.

##### **ENVIRONMENTAL HEALTH & SAFETY UNIT**

The water quality monitoring and analysis of samples were 165 as of end June 2014. In terms of vector control 558 sites were serviced and for food control 833 sites were inspected with no food borne illness/food poisoning outbreaks reported. Processing of license applications for food handling premises is at a 100% within the 14 day timeframe. All building plans have been scrutinised within the 4 days target. Staff trained in terms of promoting a safe and healthy work environment is 164, with 62 sites inspected in terms of unsafe working conditions and 62 reports compiled on remedial actions.

## **CHALLENGES**

Funding was not received even though the LGSETA agreement has been signed, therefore full implementation of the HR policy could not be done.

There were repeat findings as per the 2012/2013 AG report for the ICT unit, due to some policies not being reviewed and workshopped.

Installation of the elevator was delayed due to the finalisation of the SCM processes as per S32 of the SCM policy had to be complied with.

A total of 24 malaria cases were reported for the year and 46.16% of unsatisfactory water samples were reported.

## **MEASURES TO IMPROVE PERFORMANCE/CORRECTIVE MEASURE**

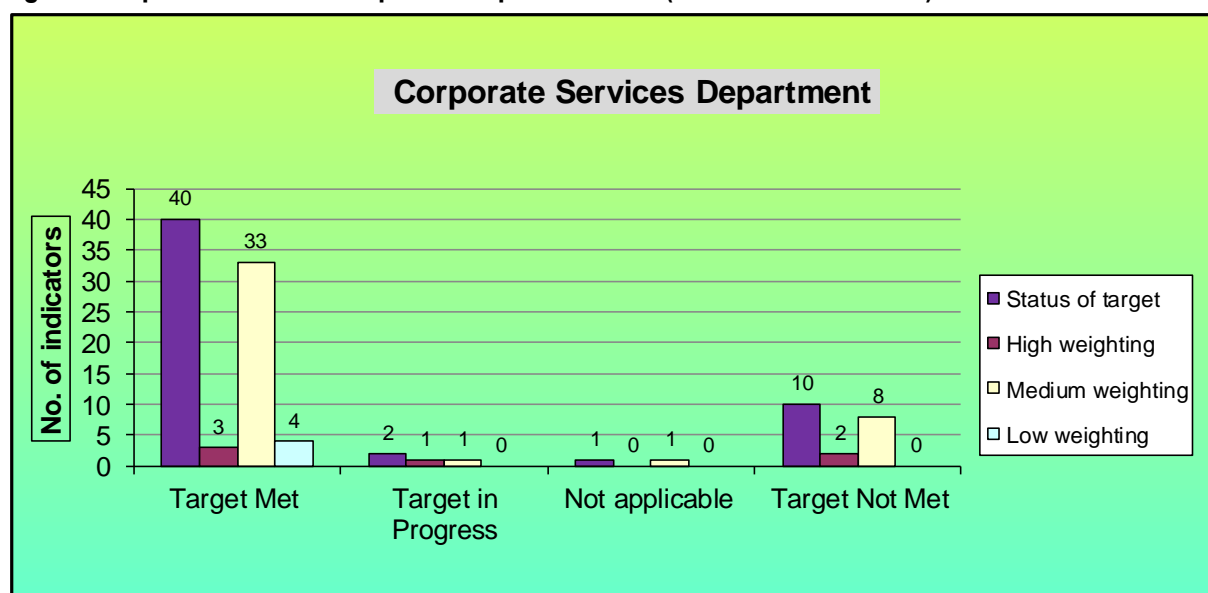
Once funding is received the HR policy will be fully implemented which is planned to be completed by the 1<sup>st</sup> quarter of the new financial year.

ICT policies have been reviewed, IT DRP policy to be workshopped at Council.

Quotations have been received for the elevator and bids will be invited in the new financial year to conclude the project of the installation of the elevator.

All malaria cases were investigated and families were rendered with health education and continuous awareness programmes are being done so that the community is more aware of health & safety. All unsatisfactory water samples were reported to the Water Services Authority for ratification.

Figure: Corporate Services Department performance (Refer to Annexure E)



#### 4.5 CORPORATE GOVERNANCE

##### HIGHLIGHTS ON ACTUAL PERFORMANCE

The IDM annual report was completed and adopted by Council on the 31 January 2014 in line with legislative requirements and submitted to all relevant stakeholders. Heritage celebrations were successfully hosted with an actual of 5 for this financial year as compared to 4 in the previous financial year 2012/2013.

##### **Corporate Communication Unit**

The customer satisfaction and communication strategy were reviewed by end June 2014 as planned. In terms of effective public awareness on municipal business through information dissemination the unit exceeded target with 8 mayoral radio slots against a target of 4 and 55 on going advertorials in the print media against a target of 3. A further 2 municipal newsletters were compiled. A total of 68 Public participation meetings were held, which included community engagement, feedback sessions regarding the budget and performance management as well as the IDP Izimbizo. Promotion of IGR within the district has improved greatly with sub forums fully functional and reporting to the district Intergovernmental forum every quarter.

##### **Disaster Risk Management Unit**

The emergency relief aid continues to be maintained at a 100% of incidents responded to. Disaster Management awareness campaigns were conducted within the district with 40 held, and 24 capacity building sessions hosted. The disaster management framework has been reviewed as well as the Level 1 Plan with regards to disaster risk reduction. Ward based risk Assessments were conducted and risk maps were generated. The Disaster Climate change summit was hosted on the 4 & 5 June 2014 and a close out report was done outlining the outcome.

##### **Corporate Governance/Special Programmes Unit**

Communities are continuously informed against the social impacts of HIV/Aids and this was done through 9 HIV/Aids awareness campaigns held, as well as the world aids week which took place in December 2013. As per the approved gender plan 39 programmes were implemented against a target of 16. Implementation of programmes as per the youth plan was 33 with 872 youths benefitting. There was a total of 20 interventions hosted in all local municipalities with regards to Operation Sukuma Sakhe.

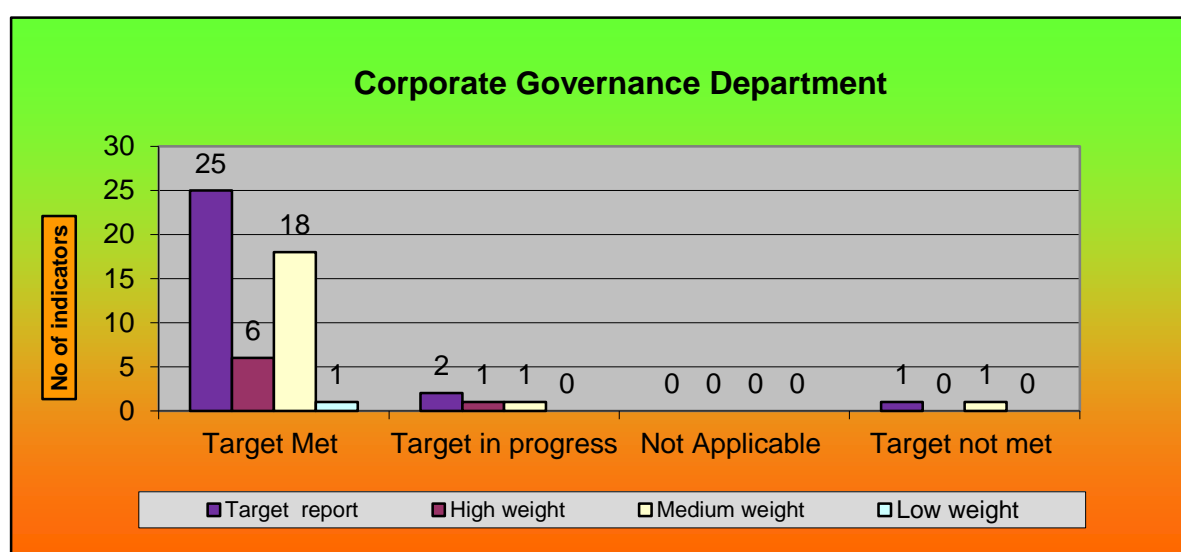
## CHALLENGES

The relocation and testing of the Communication system could not be done, as it is dependent on the electrification of the disaster management centre, there is an issue on the electricity installation.

## MEASURES TO IMPROVE PERFORMANCE

The relevant documentation has been submitted to the responsible stakeholders for ensuring the electricity installation is done at the centre and continuous follow ups are being made in order to fast track the process.

**Figure: Corporate Governance Department performance (Refer to Annexure F)**



### 4.6 MUNICIPAL ENTITY – ENTERPRISE ILEMBE

In terms of section 93B of the Municipal Systems Act, the parent municipality must ensure that the performance objectives and indicators for the municipal entity are established by agreement with the entity and included in the municipal entity's multi-year business plan in accordance with section 87 (5) (d) of the MFMA. It is for this reason that the report for the Enterprise iLembe has been included in the annual performance report.

### HIGHLIGHTS ON ACTUAL PERFORMANCE

The Entity has developed a 3 -5 year strategic plan for the national Schools Nutrition Programme. A total of 5 co-ops has been phased out of the farmers support programme this was done to ensure long term sustainability of the Schools nutrition programme.

Twelve co-ops registered which will assist in increasing new job opportunities. Feasibility studies for entry into new economic sector were approved for 3, namely Hydro/Solar, Biomass and Tourism. For trade and investment promotion, 1 intelligent report was developed and 2 progress reports submitted on the entrepreneur competition for this financial year.

In terms of tourism, marketing and promotions 6 exhibitions were attended, 1 official tourism travel guide was developed, 3 adverts/advertorials were in relevant publications and 3 support events namely Dolphin

Ultra walk, Hlomendlini and iBeach Festival were presented by the entity to assist in increasing visitors to the District.

The percentage of employees trained was 22% against a target of 10%. A total of 6 board meetings were held to ensure effectiveness of the Board. All monthly financial information and performance information is submitted timeously to the District.

## CHALLENGES

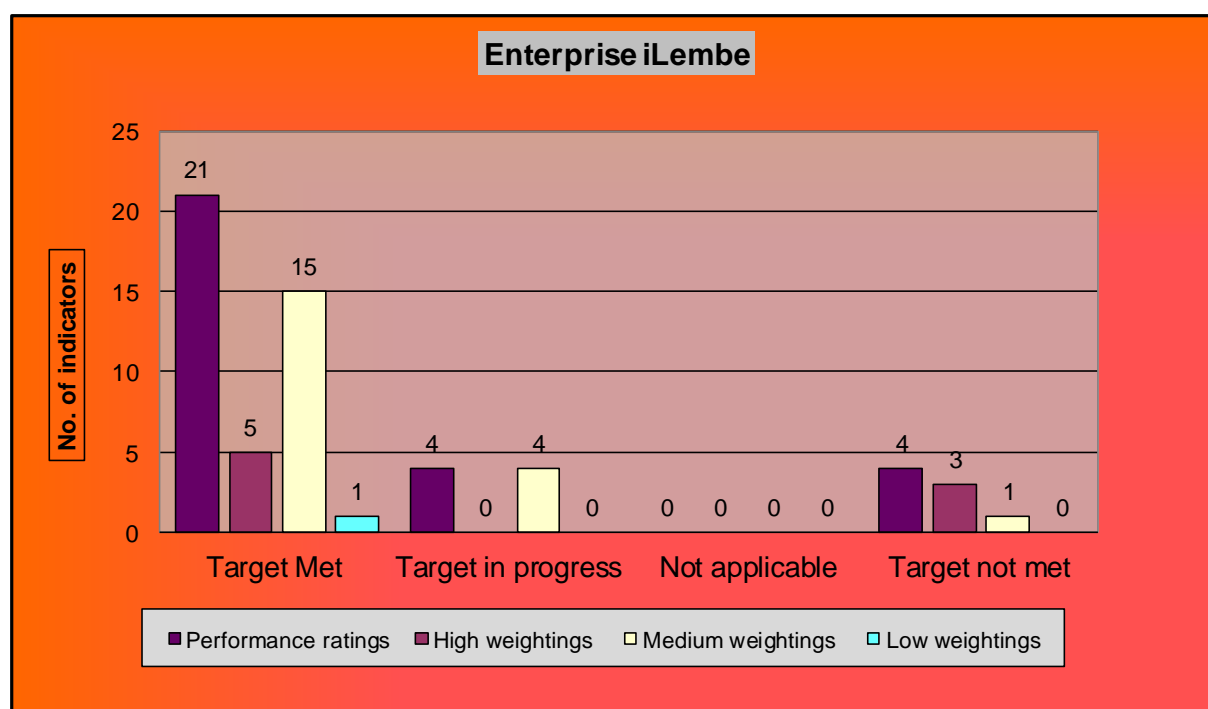
All posts could not be filled on the organogram, as the organogram was reviewed and had to be approved by the board, timeframes were an issue.

## MEASURES TO IMPROVE PERFORMANCE

All post have been planned to be filled in the 1<sup>st</sup> quarter of the next financial year.

The detailed report is attached as part of the annexure, however the summary of achievements is illustrated in the figure below:-

**Figure: Enterprise iLembe performance (Refer to Annexure G)**



### Weightings on Enterprise iLembe indicators:

Key Performance Indicators	High weight	Medium weight	Low weight	Total
Target met	5	15	1	21
Target in progress	0	4	0	4
Target not met	3	1	0	4
Not Applicable	0	0	0	0
<b>TOTAL</b>				<b>29</b>

## **5. PERFORMANCE OF SERVICE PROVIDERS**

Section 39 (g) of the iLembe District Municipality's Supply Chain Management Policy requires the accounting officer to establish and implement an effective system of logistics management, which must include the monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.

In the execution of its service delivery responsibilities, the Municipality has to regularly appoint qualifying contractors or service providers for the implementation of its projects and supply of goods and services.

This brings about the need to ensure that these contracted service providers provide the required goods or services in terms of the agreed upon standards or specifications. This function is performed in terms of the provisions of Section 116 of the MFMA (Act No. 56 of 2003) and section 39(g) of the IDM SCM policy.

The Contract Management Section of the SCM Unit in conjunction with the relevant Project Managers is responsible for the monitoring of all service providers and contractors' performance. The successful implementation of projects will eventually yield to the realization of goals and targets as indicated in the Municipality's IDP and SDBIP. The focus is on compliance with all applicable legislations in the appointment of contractors and subsequently the compliance with all contractual obligations to ensure value for money to the Council.

### **5.1 CONTRACTS AS PER THE CONTRACT REGISTER**

According to the contract register, a total of one hundred and sixteen (116) contracts were secured by the Municipality in terms of the competitive bidding process as well as Section 32 of the SCM Regulations. Out of 116, 45 contractors including those that were engaged with the municipality in the previous financial years are still in the process of completing projects. Details are as follows:



**ILEMBE DISTRICT MUNICIPALITY**

<b>FINANCIAL YEAR</b> (In which the contract was entered into.)	<b>DEPARTMENT</b>	<b>NUMBER OF PROJECTS</b>
2013/14	Corporate Services	07
	Corporate Governance	02
	Technical Services	22
	Finance	-
	Office of The MM	02
2012/13	Corporate Services	01
	Corporate Governance	04
	Technical Services	23
	Finance	03
	Office of The MM	-
2011/12	Corporate Services	02
	Corporate Governance	01
	Technical Services	18
	Finance	-
	Office of The MM	02
2010/11	Corporate Services	-
	Corporate Governance	01
	Technical Services	12
	Finance	02
	Office of The MM	-
2009/10	Corporate Services	00
	Corporate Governance	00
	Technical Services	13
	Finance	01
	Office of The MM	00

## **5.2 PERFORMANCE ANALYSIS**

Project Managers are required to submit detailed assessment, including complaints on a monthly basis of the contractors' performance for the implementation of the projects. In the case of poor performance, the provisions of MFMA Circular 43 shall apply leading to the restriction of defaulting contractors from any future business dealings with the State.

### 5.3 RATING CRITERIA

For contractor performance rating purposes, the following rating criteria will be used.

PERFORMANCE WEIGHTING		
1	POOR	Performance did not meet most contractual requirements and contains serious problem(s) for which correction actions were ineffective
2	SATISFACTORY	Performance did not meet some contractual requirements, contractors actions appear only marginally effective or were not fully implemented.
3	GOOD	Contractual performance of contractor contains some minor problems for which corrective action taken by the contractor appear or were satisfactory
4	VERY GOOD	Performs meets contractual requirements some minor problems for which corrective action taken by the contractor were effective
5	EXCELLENT	Performance meets contractual requirements with few minor problems for which corrective actions by contractor were highly effective.

ILEMBE DISTRICT MUNICIPALITY

The performance ratings of service providers are as follows:

SERVICE PROVIDER PERFORMANCE REPORT															
2012/2013 PERFORMANCE RATINGS									2013/2014 PERFORMANCE RATINGS						
COMPANY NAME	EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED		EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED
TECHNICAL SERVICES															
BLACK BALANCE							√					√			
ROYAL HASKONING DHV							√					√			
IBHONGO CONSULTING							√					√			
SIVEST							√						√		
MASITHU CONSULTING							√				√				
ZIYANDA CONSULTING							√					√			
MSW CONSULTING							√					√			
ZAI CONSULTING							√					√			
MVULA TRUST											√				

ILEMBE DISTRICT MUNICIPALITY

SERVICE PROVIDER PERFORMANCE REPORT

2012/2013 PERFORMANCE RATINGS									2013/2014 PERFORMANCE RATINGS						
COMPANY NAME	EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED		EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED
LINDA MASINGA							√				√				
JOAT CONSULTING							√				√				
HATCH GOBA							√				√				
MADAN SINGH CONSULTING							√				√				
ESOR FRANKI							√		√						
EAST COAST IRRIGATION							√						√		
AFROSTRUCTURES		√								√					
R & B PIPELINES		√								√					
ASPHALT CONSTRUCTION		√								√					
HIDROTECH INFRA							√			√					
HT CIVILS							√			√					
SUNSET BEACH TRADING										√					
NORTH COAST WATER RETICULATION										√					

ILEMBE DISTRICT MUNICIPALITY

SERVICE PROVIDER PERFORMANCE REPORT

2012/2013 PERFORMANCE RATINGS									2013/2014 PERFORMANCE RATINGS						
COMPANY NAME	EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED		EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED
UNICON CONSTRUCTION						√					√				
FIRST WORKS 119 CC						√						√			
DEEZLO TRADING						√						√			
SKCY ROADS						√						√			
NDISHI STHOMBE JV						√						√			
EGXENI CONSTRUCTION			√										√		
RGZ PROJECTS			√										√		
ROCKHARD PLUMBERS				√									√		
SIYADUDULA CONSTRUCTION						√							√		
MADONDO HUGHES CC			√										√		
MAKHUBU CIVILS			√										√		

ILEMBE DISTRICT MUNICIPALITY

SERVICE PROVIDER PERFORMANCE REPORT

SERVICE PROVIDER PERFORMANCE REPORT															
2012/2013 PERFORMANCE RATINGS									2013/2014 PERFORMANCE RATINGS						
COMPANY NAME	EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED		EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED
AZISHE CONSTRUCTION					√								√		
KULU CIVILS & PROJECT MANAGERS					√								√		
UMUZI CIVILS							√						√		
INYAMEKO TRADING						√							√		
LINDOKUHLE ENGINEERING							√					√			
NOKWEJA ENGINEERING							√						√		
ABARIM TRADING							√				√				
SINGHS HARDWARE							√						√		
PHINGOSHE TRADING							√			√					
UMHLABOMUS HA TRADING							√					√			

ILEMBE DISTRICT MUNICIPALITY

SERVICE PROVIDER PERFORMANCE REPORT

2012/2013 PERFORMANCE RATINGS									2013/2014 PERFORMANCE RATINGS						
COMPANY NAME	EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED		EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED
P THREE TRADING ENT							√					√			
INGQOLOBANE PROJECTS							√					√			
THUBA CONSTRUCTION							√					√			
ABANGANI PROJECTS							√					√			
ASIHUMELISE TRADING ENT							√						√		
AQUA TRANSPORT						√							√		
VALAMEHLO TRUCK SALES						√							√		
TAKITSI TRADING						√					√				
MALUTHULI CONSULTING						√					√				
KK GARDENS WORLD						√					√				

ILEMBE DISTRICT MUNICIPALITY

SERVICE PROVIDER PERFORMANCE REPORT

SERVICE PROVIDER PERFORMANCE REPORT															
2012/2013 PERFORMANCE RATINGS									2013/2014 PERFORMANCE RATINGS						
COMPANY NAME	EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED		EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED
NGOTSHA CONSTRUCTION						√					√				
SIBA FAMILY TRADING ENT						√					√				
OKAMDEKENI TRADING						√					√				
RICINZ CONSTRUCTION						√					√				
ILUNGELO LAMI TRADING						√					√				
MAFUKU TRADING						√					√				
CORPORATE GOVERNANCE															
EMZANSI EVENTS						√					√				
AURECON						√					√				
ISIDINGO SECURITY							√					√			
KZN SALES & SERVICE				√								√			
DEBBIE ISAACS		√								√					



ILEMBE DISTRICT MUNICIPALITY

SERVICE PROVIDER PERFORMANCE REPORT

2012/2013 PERFORMANCE RATINGS									2013/2014 PERFORMANCE RATINGS						
COMPANY NAME	EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED		EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED
CORPORATE SERVICES															
KENVOLKS MOTORS						√			√						
CMH COMMERCIAL PINETOWN						√			√						
SUPERTECH PANEL BEATERS						√			√						
CHRYSLER JEEP DODGE UMHLANGA						√			√						
COASTAL AUTO SERVICES						√			√						
TREVS AUTO SERVICES						√			√						
DOLPHIN COAST TOWING & REPAIRS		√							√						
MOTOR KING		√							√						

ILEMBE DISTRICT MUNICIPALITY

SERVICE PROVIDER PERFORMANCE REPORT

SERVICE PROVIDER PERFORMANCE REPORT															
2012/2013 PERFORMANCE RATINGS									2013/2014 PERFORMANCE RATINGS						
COMPANY NAME	EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED		EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED
ONE STOP AUTO INDUSTRIES & BREAKDOWN SERVICES		√							√						
STANGER MOTOR WORLD		√							√						
SONKE CONSULTING		√								√					
HLUNGA CONSULTING		√								√					
OPTICAL NETWORK SOLUTIONS		√								√					
DIMENSION DATA		√								√					
KONICA MINOLTA		√								√					
NASHUA		√								√					

ILEMBE DISTRICT MUNICIPALITY

SERVICE PROVIDER PERFORMANCE REPORT

2012/2013 PERFORMANCE RATINGS									2013/2014 PERFORMANCE RATINGS						
COMPANY NAME	EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED		EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED
GIJIMA TECHNOLOGIES				√							√				
PHOTONOTE					√								√		
SMART OFFICE					√								√		
UNIQUEST TRAVEL						√					√				
CHANTI TRAVEL						√				√					
TRAVEL WITH FLAIR						√								√	
FINANCE															
USC METERING T/A UTILITY						√					√				
INDWE RISK SERVICES						√			√						
FIRST NATIONAL BANK							√		√						
D & D AMANZI						√						√			
KAYOSI TRADING						√				√					

ILEMBE DISTRICT MUNICIPALITY

SERVICE PROVIDER PERFORMANCE REPORT

2012/2013 PERFORMANCE RATINGS									2013/2014 PERFORMANCE RATINGS						
COMPANY NAME	EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED		EXCELLENT	VERY GOOD	GOOD	SATISFACTORY	POOR	NOT ENGAGED	NO REPORT SUBMITTED
BC INDUSTRIAL						√			√						
KFC ENGINEERING						√			√						
UNICOAST						√				√					
CONTI CHEM PTY (LTD)						√			√						
OFFICE OF THE MUNICIPAL MANAGER															
MHP GEOSPACE						√				√					
IYER URBAN DESIGN STUDIO						√				√					

#### **5.4 APPLICATION OF THE REGULATIONS - MFMA CIRCULAR 43**

The provisions of the MFMA Circular No 43 gives council the obligation to report any instances where criminal act is committed to the SAPS. This then gives effect to the use of the provisions of regulation 15 2(d) of the Preferential Procurement Regulations which state that “*restrict the contractor, its shareholders and directors from obtaining business from any organ of state for a period not exceeding 10 years*” in the event where a contractor has acted fraudulently in bidding for a tender.

#### **5.5 MEASURES TO IMPROVE PERFORMANCE OF CONTRACTORS/VENDORS**

The Municipality has encountered challenges arising from the appointment of contractors who fail to execute the project to its completion stage. Some have cited underquoting as a reason for their failure. The Municipality has taken action in terms of MFMA Circular 43 against all those contractors found to be in breach of contract due to poor performance. We have served them with notices of intention to blacklist them. They are supposed to submit to the Municipality within 14 days reasons why the envisaged restriction should not be imposed. Thereafter the Municipality will have to notify Treasury so that these companies can be included on the Restricted Bidders database.

We are planning to host the Consultants and Contractors workshop between July 2014 and December 2014. The aim of this session is to empower all entities/vendors about all procurement related issues which they must be aware of including evaluation methodologies, performance and contract management issues, objections/appeals, restrictions due to poor performance etc. This in a way will address a number of issues that the Municipality often encounters such as unsuccessful bidders who lodge objections with no grounds but merely to delay the project implementation.

#### **5.6 FURTHER ACTIONS TAKEN (TENDER DEFAULTERS/RESTRICTED BIDDERS)**

Letters notifying contractors about the intention of the Municipality to restrict them on the National Treasury's database due to submission of fraudulent South African Revenue Services Tax Clearance Certificates.

### **6. MEASURES TO IMPROVE PERFORMANCE**

The PMS Unit continues to conduct departmental visits discussing reports, and confirming the variances and corrective measures where targets were not met and providing continuous support. Reports are also submitted to MANCO on a monthly and quarterly basis for discussion, consideration & improvement so that management is aware of challenges, inconsistency of information which will assist in improving quality of reports.

The variances and corrective measures on the targets not met forms part of the departmental reports attached as annexure.

The annual targets and actuals for the 2012/2013 financial year forms part of the 2013/2014 departmental SDBIP's

## **7. CONCLUSION**

The iLembe District wishes to reinforce its commitment and dedication in ensuring the service delivery and changing the lives of the people within our district.

## **ANNEXURES**

**A - ORGANISATIONAL SCORECARD**

**B - MM SCORECARD**

**C – TECHNICAL SERVICES - DEPARTMENTAL SDBIP**

**D – FINANCE DEPARTMENT – DEPARTMENTAL SDBIP**

**E – CORPORATE SERVICES – DEPARTMENTAL SDBIP**

**F – CORPORATE GOVERNANCE – DEPARTMENTAL SDBIP**

**G – ENTERPRISE ILEMBE – DEPARTMENTAL SDBIP**

**H - 2014/2015 FINANCIAL YEAR PERFORMANCE TOOLS**

**I - RESOLUTION BY EXCO ADOPTING THE TOOLS**